for a

[responsible]
]contribution[

Gaming: A State-Controlled Activity

In most countries to be legal, games of chance must be controlled and managed by State authorities. In Canada, the Criminal Code stipulates, with a few exceptions, that only the provinces may operate games of chance, each in accordance with their respective legislation. According this monopoly to the provinces ensures that all profits generated by gaming are used for the public good, thereby allowing provinces to finance a significant portion of their mission. Moreover, the Criminal Code provisions, with respect to state control of lotteries, also prevent the forces of competition from dictating the evolution of the gaming industry. In effect, a state monopoly in this sector allows for the management of all game offerings in an ordered and systematic fashion, while taking the social and economic repercussions related to gaming into account. Finally, State control assures the integrity of gaming, the protection of consumers, and the prevention of illegal gambling.

Québec legislation entrusts Loto-Québec with the mandate to operate games of chance and to regulate the norms and conditions for each category of game it offers. These regulations must be approved by the Government and are published in the *Gazette officielle du Québec*. Furthermore, the regulations governing casinos and video lottery terminals are subject to the scrutiny of the Régie des alcools, des courses et des jeux before their approval by the Government.

About This Document

This first ever review of Loto-Québec's social responsibility initiatives contains information about the economic, social and environmental performance of the Corporation and its subsidiaries, as well as the principal elements of the organization's corporate profile. Loto-Québec has taken the utmost care in gathering, compiling, verifying and presenting the data published in this document. Whenever possible and pertinent, the choice of information presented is governed by the norms and standards of the *Global Reporting Initiative* (GRI) [1].

The majority of the data outlined herein is related to Loto-Québec's past fiscal year, covering the period from April 1, 2004 to March 31, 2005. As such, this document serves as a complement to the 2004-2005 Annual Report. When any data pertains to a different period, it is justified and duly noted, and when information is derived from a third party, that source is clearly identified.

[1] *The Global Reporting Initiative (GRI) was launched jointly in 1997 by the Coalition for Environmentally Responsible Economies and the United Nations Environment Program. The GRI's mission is to reinforce the quality, rigour and utility of reports on sustainable development. For more information, please consult www.globalreporting.org.*

106-00550/

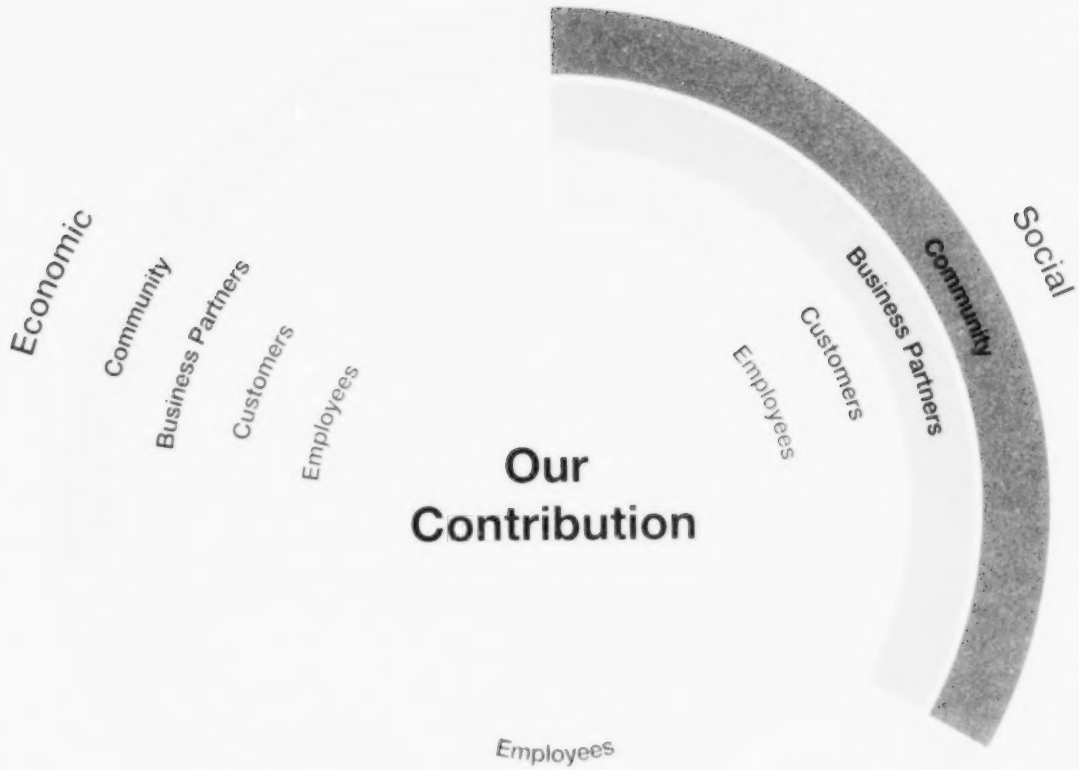
maintaining the balance between our [economic and social responsibilities]

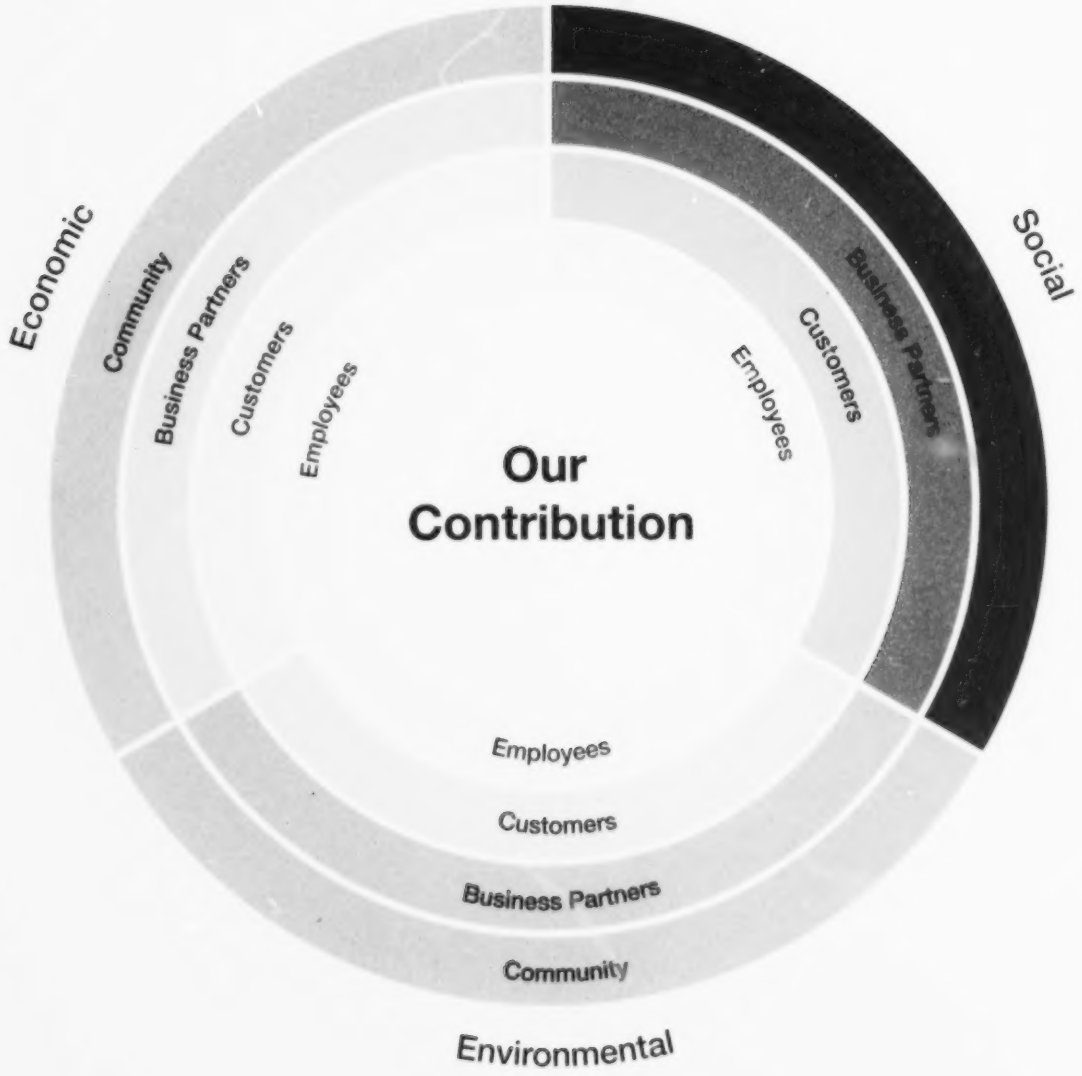
Our activities benefit the Québec community at large — Via the substantial dividends and special contributions remitted to the Government, the prizes awarded to a multitude of winners, the productive partnerships that support a host of community organizations, the thousands of direct and indirect jobs generated by our activities, the organization of countless public events, and by way of our casinos' contributions to stimulating the tourism industry...

LOTO QUÉBEC

[the framework]

Reduce the social costs associated with gaming to a minimum and adopt new measures to combat excessive gaming — **Increase** efficiency and general performance in order to maintain the level of net profits remitted annually to the Government — **Contribute** to the development and success of the tourism industry in concert with the other players in the sector — **Refrain** from increasing the overall game offer.


Economic
Community
Business Partners
Customers
Employees
Our Contribution
Employees
Customers
Business Partners
Community
Social
Community
Business Partners
Customers
Employees
Environmental



Loto-Québec's activities have economic, social and environmental repercussions on a number of different publics. As the principal player in the Province's gaming sector, the Corporation must take into account the expectations of the stakeholders concerned by this activity sector. In order to reconcile these expectations as the best it can, Loto-Québec strives to maintain an open and ongoing dialogue with all the publics affected by its operations.

Generally speaking, these stakeholders can be classified into four categories — the Québec community at large, business partners, customers and employees.

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for a

[responsible]]contribution[

Over the course of its 35-year history, Loto-Québec has secured a leading position within the gaming industry by maintaining a firm commitment to integrity, dynamism and innovation. In so doing, the Corporation has been dedicated to fulfilling its mandate to offer the Québec population a source of entertainment in a responsible manner, while making a major contribution to the province's public finances and to the Québec economy as a whole.

In its position as a public corporation holding a quasi-monopoly within its activity sector (horse racing and charitable gaming fall outside of its jurisdiction), Loto-Québec recognizes that the privileged place it occupies within Québec society rests on the existence of a social consensus with respect to its activities and the means it employs to carry out its mandate. We are extremely pleased to observe that the vast majority of Québecers are proud of our accomplishments. At the same time, we also know that the population wants to see us maintain a balance between our business mission and our social responsibility.

Committed to **Making a Responsible Contribution**

Loto-Québec devotes the utmost attention to how its activities influence the community, and the Corporation is renewing its commitment to making a responsible contribution that takes all of Québec society's expectations into account. This Social Review is designed to take stock of our performance vis-à-vis this commitment and to outline the actions we intend to implement in order to further improve that performance.

For example, we undertook in January 2005, a sustainable development initiative that will ultimately involve all of the Corporation's internal and external publics — employees, customers, suppliers, retailers and wholesalers, non-profit organizations, governments, as well as the general public.

Integrating Economic, Social and Environmental Concerns

Each year, the Corporation generates billions of dollars which are redistributed in their entirety to the provincial community at large, either in the form of dividends remitted to the Government, prizes paid to winners, commissions paid to non-profit organizations, the purchase of goods and services, salaries paid to some 7,000 employees or through sponsorship of public events. This contribution constitutes a major source of support for the Québec economy. It is essential to maintain, and we are committed to doing so without increasing our overall game offer.

From a social perspective, we cannot ignore the Québec population's growing concern about excessive gambling and its social costs. Loto-Québec shares this preoccupation, and this Review serves as an excellent vehicle for us to explain how, within the limits of our mandate, we are striving to meet society's expectations regarding this issue by implementing prevention and awareness measures to promote healthy gaming behaviour.

Finally, this report will, as well, shed some light on Loto-Québec's environmental contributions. While this is a relatively new preoccupation for the Corporation, it is certainly one that will continue to take shape and grow in the months and years to come.

Improving **Public Awareness About Our Contributions**

"Where does the money go?" "Does Loto-Québec really give back to society what it takes in?" "What are the help and prevention measures in place to counteract excessive gambling?" "How does the Corporation fulfill its responsibilities as a business partner, employer and member of the community?" These are just a few of the questions this document tries to answer. It also serves as an opportunity to illustrate how challenges are being managed proactively and to foster a better understanding of our activities and initiatives.

To the extent that this Review promotes a better knowledge of the nature and scope of our economic, social and environmental contributions, we believe that it will clarify the role the Corporation should play within Québec society and the way it should go about fulfilling its responsibilities. In addition, we see this Review as being a launch pad for transparent, clear and constructive dialogue with all the persons and groups that our activities concern. ■

Alain Cousineau
Chairman, President and Chief Executive Officer
Loto-Québec

Our Mission

Loto-Québec's mission is to operate games of chance in the Province in an ordered and measured manner. Created in 1969 to implement a public lottery, the Corporation has since been entrusted by its shareholder, the Government of Québec, with various new mandates that have seen it considerably diversify its activities over the years. Today, in addition to its lottery sector, Loto-Québec operates three casinos, related food, beverage and lodging services, a video lottery system, as well as network bingo activities. The Corporation also offers products and services developed within its various areas of expertise to a range of international markets.

Our Values

In executing its mandate, Loto-Québec's activities are governed by a series of fundamental values that are shared by all employees at all levels of the organization:

- Demonstrate innovation and assume a leadership role within the gaming sector.
- Exhibit a strong sense of responsibility and remain a good corporate citizen.
- Be transparent and proactive and maintain a high level of public confidence.
- Contribute to the economic and social development of Québec.
- Respect for employees whose dynamism and performance are the keys to the Corporation's success.

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LOTO
QUÉBEC

contributing responsibly
is fulfilling our
mission in the respect
of our values and for
the benefit of all with
whom we interact

Revenues

Lotteries	Video Lotteries	Casinos, Restaurants and Lodging	Bingo
47.2%	**31.4%**	**20.5%**	**0.9%**

Net Income

Video Lotteries	Lotteries	Casinos, Restaurants and Lodging	Bingo	Multimedia
51.1%	**32.9%**	**16.2%**	**0.1%**	**-0.3%**

Corporate Profile

Wholly-owned subsidiaries

- Casiloc inc.
- Casino Mundial inc.
- Ingenio, filiale de Loto-Québec inc.
- Lotim inc.
- Resto-Casino inc.
- Société des bingos du Québec inc.
- Société des casinos du Québec inc.
- Société des loteries vidéo du Québec inc.
- Société des salons de jeux du Québec inc.[1]
- Technologies Nter, Limited Partnership

Number of employees	**7,114**
Lotteries	**127** wholesalers **9,938** retailers
Casinos	Montréal / Charlevoix / Lac-Leamy
Video lotteries	**3,267** sites **14,007** terminals
Bingo	**125** participating halls
Number of suppliers	**1,024**

[1] *Created July 26, 2005*

Consolidated Financial Results

Revenues	**$3.937 B**
Gross profit	**$2.475 B**
Net income	**$1.583 B**

Our Economic Contribution

Dividends to the Québec Government	**$1.511 B**
Prizes to lottery and bingo winners	**$981.0 M**
Commissions and other compensations to lottery, video lottery and bingo network partners	**$412.3 M**
Purchases of goods and services	**$388.2 M**
Salaries and benefits to its employees	**$346.0 M**
Taxes and contributions to governments	**$244.3 M**

Our Social Contribution

Contributions to the fight against excessive gaming	**$26.1 M**
Contributions to non-profit organizations	**$20.7 M**
Fonds d'aide à l'action communautaire autonome (5% of net income generated by the Société des casinos du Québec and Resto-Casino)	**$13.2 M**
Fonds d'aide à l'action humanitaire internationale (1% of net income generated by the Société des casinos du Québec and Resto-Casino)	**$2.6 M**
Sponsorships	**$14.6 M**
La Collection Loto-Québec	**$0.4 M**
Employee programs	**$3.2 M**

Note: All figures reflect fiscal 2004-2005 results as at March 31, 2005.
The letters "B" and "M" designate "billion" and "million" respectively.

This section is designed to identify Loto-Québec's publics in terms of their relation to the Corporation and to outline the various communication mechanisms in place to maintain an effective dialogue with them.

The Community at Large

Loto-Québec maintains ongoing contact with Québecers not only in their capacity of customers, but also as taxpayers and citizens who are affected by the economic, social and environmental repercussions of its activities. As a public corporation, Loto-Québec also maintains close relations with the Québec Government, to which it remits a dividend each year in the amount pre-determined by the Government. Moreover, the Corporation promotes and nurtures its community presence through its commitment to financing thousands of non-profit organizations and through the sponsorship of countless public events that bring people together across the province.

Business Partners

Loto-Québec's business partners include suppliers, wholesalers, retailers and video lottery terminal site operators.

- **Suppliers**
  The Corporation takes great care in the selection of its suppliers, who number about 1,000. To the extent permitted by law, Loto-Québec strives to give preference to local companies.

- **Wholesalers**
  The wholesalers of our lottery products act as independent entrepreneurs tied by contract to the Corporation to manage, in their given districts, sales development, distribution and maintenance of business relations with retailers offering Loto-Québec lottery products. As of March 31, 2005, there were 127 wholesalers serving 132 districts throughout the province, with five districts remaining to be filled. Since 2001, Loto-Québec has been communicating with its wholesalers via a secure Extranet that provides new product information, marketing advice, activity report forms, financial data, as well as the opportunity to conduct certain transactions, such as placing ticket orders, on-line.

- **Retailers**
  Lottery product sales are handled by a network of 9,938 Loto-Québec retailers who represent a vital link in the chain of contact with consumers and the public at large. Retailers also play a key role in promoting compliance with the law prohibiting the sale of lottery products to minors. The Corporation regularly informs and sounds out its retailers during regional information meetings, via bulletins, posting messages on game terminals, and by information newsletters.

- **VLT Site Operators**
  In order that they not be accessible to minors, video lottery terminals (VLTs) are available exclusively in establishments holding a bar, brasserie or tavern license that have obtained a special VLT operating permit from the Régie des alcools, des courses et des jeux. As of March 31, 2005, there were 3,267 of these sites located throughout Québec.

Clientele

Loto-Québec's clientele includes a significant portion of the province's adult population. According to a study conducted in 2005 among 1,501 individuals 18 and over:

- **90%** of respondents had purchased a lottery ticket at some point in their life.
- **76%** had purchased a ticket during the past 12 months.
- **65%** had purchased a ticket during the past 3 months.
- **50%** had purchased a ticket during the past 4 weeks.

While the majority of its clientele is made up of Québecers, the Corporation's clientele also includes a large number of tourists visiting the casinos from outside the province.

Anyone wishing to communicate with the Corporation may do so via its Customer Service Department (by way of standard mail, telephone, e-mail, or in person in Montréal and Québec City). Everyone receives a timely and personalized response. During fiscal 2004-2005, the Corporation's Customer Service Department answered 88,173 requests for information, and during this same period, more than 6,000 visitors presented themselves directly to information kiosks at the Montréal head office and Québec City office.

In addition, Loto-Québec issues a number of periodic publications designed for its clientele and the general public such as Loto-Hebdo, A Subscription to Win, and Place your bets, as well as a range of corporate documents like its Annual Report and 2004-2007 Development Plan.

Employees

Loto-Québec and its subsidiaries employ over 7,000 individuals who constitute the organization's greatest strength and asset. These permanent and temporary employees occupy more than 250 different job categories.

Effective employee communications is assured primarily by means of internal newsletters. Information is also conveyed in the form of electronic messages, and via management meetings. Moreover, Loto-Québec has recently established an Intranet to provide its personnel with access to a varied range of information and the latest news about the organization. ■

During fiscal 2004-2005, the Corporation's various Web sites logged **more than 32 million visits**, including 19 million for the purpose of obtaining lottery results. This translates into an average of approximately 90,000 visits per day.

Loto-Québec's Web site (www.loto-quebec.com) serves as a valuable reference for information about the Corporation and its subsidiaries, as well as about the benefits of its activities. From the details of its Development Plan, to a review of its diverse activities targeting excessive gaming, to the latest career opportunities, the site features comprehensive content along with numerous interactive or downloadable documents.

In addition, the Web site focuses regularly on the Corporation's commitment to promoting responsible gaming and the concrete measures it has implemented in that regard. Information is also available on the Web site about the numerous contributions it makes in support of non-profit organizations and public events.

Loto-Québec's Web site serves as the principal gateway to 12 individual sites that make up its virtual world. These sites contain a wide range of information such as draw results, product details and prize structures, *Pari sportif* programmes, as well as activities scheduled for the restaurants, the show rooms and the tourist related activities of the three casinos. The sites also enable lottery enthusiasts to enrol in *Club Select*, a personalized e-mail information service for persons 18 and over.

www.loto-quebec.com

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www.loto-quebec.com

LOTO QUÉBEC

our

economic contribution

Attain the financial objectives set by the Government of Québec — **Maximize** the economic benefits for the Québec community at large — **Innovate** in order to be able to continuously renew product offerings — **Contribute** to the success and development of the tourism industry — **Be** a responsible business partner.

Generating close to **$4 billion** in revenues, of which more than $1.5 billion is remitted directly to the Government in dividends, **Loto-Québec is a major economic actor in Québec society**. Be it in the form of dividends or prizes awarded to winners, commissions, the purchase of goods and services, salaries paid or various taxes remitted, **all Québecers benefit from the fruits of the Corporation's activities**. Indeed, these benefits constitute Loto-Québec's greatest contribution to the provincial population at large.

our

economic contribution

The Corporation's customers, business partners and employees all share the benefits of its economic contribution, as do the Government and provincial taxpayers. The following is an illustration of how the various components of Loto-Québec's economic support to be outlined in this section serve to benefit the Corporation's four principal publics.

Revenues	**$3.937 B**
Net income	**$1.583 B**
Dividends to the Québec Government	**$1.511 B**
Prizes to lottery and bingo winners	**$981.0 M**
Commissions and other compensations to lottery, video lottery and bingo network partners	**$412.3 M**
Purchases of goods and services	**$388.2 M**
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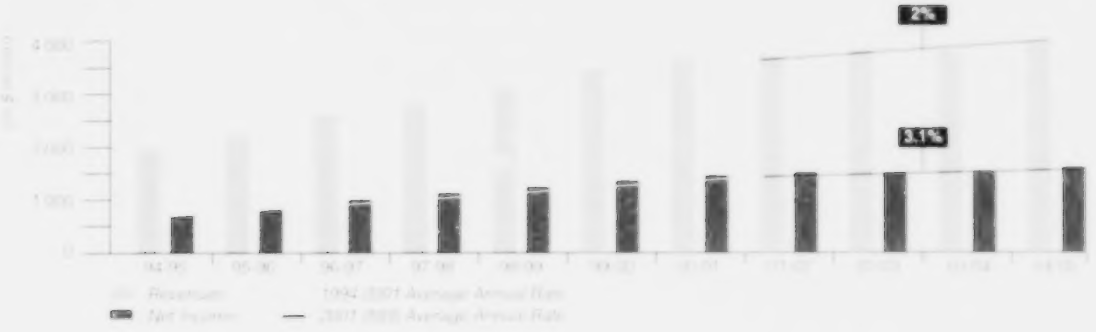
Taxes and special contributions to governments	**$244.3 M**

Note: All figures reflect fiscal 2004-2005 results as at March 31, 2005.
The letters "B" and "M" designate "billion" and "million" respectively.

Our Contribution to the Province

For the fiscal year ended March 31, 2005, Loto-Québec's consolidated revenues totalled $3.337 billion, representing an increase of $176.7 million, or 4.7%, over the previous fiscal year. Consolidated net income equalled $1.583 billion, up 8% from the previous reporting period. Moreover, the Corporation remitted a total of $1.511 billion in dividends to the ministre des Finances, $18 million more than during the previous fiscal year. In so doing, Loto-Québec is supplying close to 3% of all Government revenues. Since its creation in 1969, the Corporation has paid more than $18.6 billion into public coffers.

Since the early 2000s, several of the sectors operated by Loto-Québec have entered into a new phase of maturity, a reality that is shared by all other lottery corporations in Canada. The growth in revenues and profits during the 1995-2001 period was attributable to the Corporation's expansion into new activity sectors such as casinos and video lotteries. As of fiscal 2001-2002, however, there occurred a marked change in the rate of growth, with revenue growth rates declining from 11.3% to 2%, and the net income growth rate dropping from 12.8% to 3.1%.



In the years to come, one of Loto-Québec's main challenges will be to boost its efficiency and performance in order to be able to remit the level of dividends set by the Québec Government without increasing the overall game offer. The various strategic directions outlined in the 2004-2007 Development Plan should allow the Corporation to meet this objective.

Where Does Loto-Québec's Money Go?

As prescribed by its abilitating statute, Loto-Québec's dividend is allocated to the Government's consolidated revenue Fund, which is used to defray the costs of all the programs and services in place for the benefit of the population. The graphic below illustrates the breakdown of the Government's probable expenditures as outlined in its 2004-2005 Budget.

Government of Québec
2004-2005 Probable Expenditures

Health and Social Services	Education, Leisure and Sport	Other Expenditures	Debt Service	Employment and Social Solidarity	Transportation
37%	**22%**	**17%**	**13%**	**8%**	**3%**

Source: *Budget de dépenses 2004-2005, volume II*

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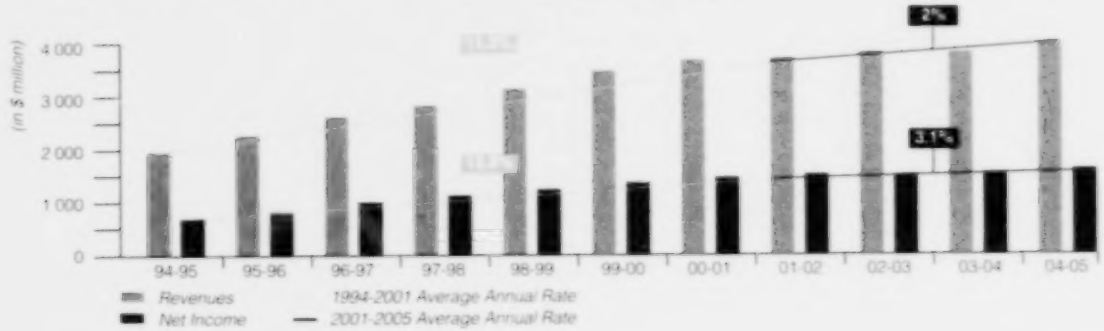

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Source: Budget de dépenses 2005-2006, volume II

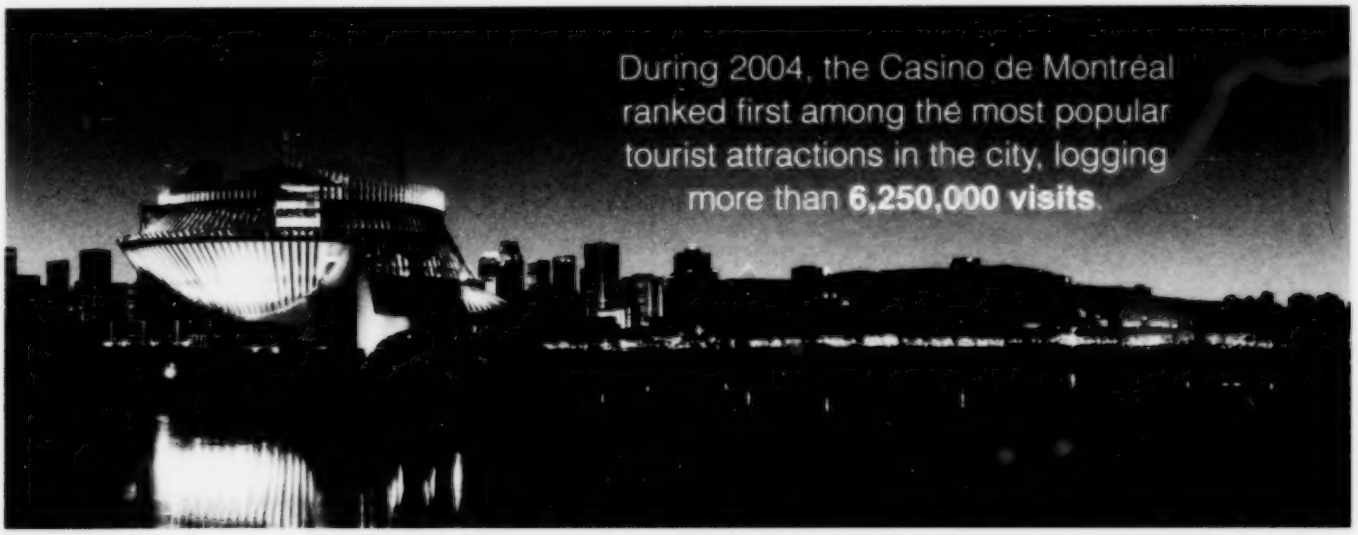
Loto-Québec, ***doesn't change you, except...***

In line with its mission, among Loto-Québec's principal contributions are the prizes it awards to the thousands of lottery and bingo winners each year. During fiscal 2004-2005, the Corporation paid over $981 million in prizes, representing close to 52% of what was actually wagered on these games. Over the course of the year, Loto-Québec awarded 47 prizes in excess of $1 million, bringing to 924 the total number of prizes of that magnitude paid out since the Corporation was created in 1969. Furthermore, another 1,655 winners shared 675 prizes of $50,000 or more during the past fiscal year.

Loto-Québec also assigns great importance to providing all the necessary guidance and support to winners of major prizes of $50,000 or more. During personal meetings, these individuals receive a detailed brochure designed to answer the most pressing questions about such subjects as tax, estate planning and donations. The importance of having recourse to professionals is underscored (financial consultants, attorneys, accountants) and winners are provided with referrals to pertinent organizations (i.e. professional orders) that can further guide them in their decision-making.

The Economic Impact of our Activities

Loto-Québec plays a pivotal role in the economic development of the province, notably by maintaining over 7,000 direct jobs each year. This translates into an annual payment of close to $350 million in salaries and benefits. The Corporation also remits more than $400 million each year in the form of commissions and other compensations to its partners — 9,938 lottery retailers, 3,267 video lottery site operators, and 112 bingo hall operators. Furthermore, Loto-Québec spends close to $400 million on the purchase of goods and services from over 1,000 different suppliers each year. ■


During 2004, the Casino de Montréal ranked first among the most popular tourist attractions in the city, logging more than **6,250,000 visits**.

Casino de Montréal

Our Support of the Tourism Industry

As the most popular attractions in their respective regions, Loto-Québec's three casinos serve as veritable engines driving the development of the province's tourism industry. In fact, in 2004, the Casino de Montréal even surpassed such popular tourist destinations as the Old Port, playing host to over 6,250,000 visitors and ranking first among Montréal's most visited attractions.[1]

During fiscal 2003-2004, a total of 760,000 visitors from outside Québec passed through the Casino de Montréal's doors, and their expenditures were in the order of $48 million. From among these visitors, 530,000 originated from the United States, representing 35% of all American tourists who paid a visit to the city. Over the course of the same period, the province's three gaming houses posted 11 million visits; 2.6 million by tourists from outside of Québec.

A study conducted by the Université du Québec à Montréal in 2004 [2] evaluated the annual economic impact of the three casinos on tourism at $150 million and their total impact since their inauguration at over $1 billion. These figures represent tourist spending only for visitors whose major motive was to visit a casino. According to the same study, tourist spending related to the presence of the casinos also helps maintain close to 2,000 direct and indirect jobs in Québec. From a regional perspective, in 2003, tourist spending in Montréal totalled $63 million (800 jobs), $51.6 million in Gatineau (654 jobs), and $35.3 million in Charlevoix (500 jobs). ■

Casino de Charlevoix and Fairmont Le Manoir Richelieu hotel

Lac-Leamy Complex: Casino du Lac-Leamy and Hilton hotel

[1] *Tourisme Montréal's Indicateur Plus, December 2004*
[2] *Rabeau, Yves (2004), Updated Evaluation of the Economic Impact of the Société des casinos du Québec's Activities*

Spectacle Viva Casino au Cabaret du Casino de Montréal >

Loto-Québec was **the first in the world to operate** a sales network via lottery terminals, **launch** a CD-ROM-based lottery, **introduce** interactive terminals in casinos on the prevention of excessive gambling, and **offer** a televised lottery.

Broadening Horizons Through Innovation

Ingenio

Loto-Québec reinforced its commitment to research and development in 1998 with the creation of Ingenio, a highly innovative and pioneering subsidiary that introduced the very first instant lottery based on a multimedia platform — a concept for which it holds a world patent. In so doing, the subsidiary invented a brand-new generation of products that integrate new technologies with games of chance within a framework fuelled by advanced research, effective marketing, and a drive to penetrate export markets.

The products developed by Ingenio in partnership with the Québec multimedia industry have indeed found numerous enthusiastic customers beyond domestic borders, most notably in Belgium, French-speaking Switzerland and Portugal, as well as in the American states of Idaho, Iowa, Kentucky, New Jersey and Oregon. In fact, more than 85% of Ingenio's revenues are now generated by export sales. On the Canadian front, the Western Canada Lottery Corporation, the British Columbia Lottery Corporation, and the Atlantic Lottery Corporation have all launched Ingenio products in their respective jurisdictions. Thus, it is no surprise that Ingenio's worldwide leadership position in this new lottery niche has been recognized with numerous honours and distinctions, including five international awards. Moreover, the subsidiary is actively pursuing its research and development endeavours and is committed to forging new partnerships with major players in the global gaming industry.

Serving as an International Reference

The depth and diversity of the experience acquired by Loto-Québec during its 35 years of existence has made the Corporation a reference for the world in numerous areas. As such, it regularly plays host to foreign delegations and responds to requests for information from other lottery corporations interested in learning more about its operating and marketing methods, as well as its programs for the prevention of excessive gambling. Loto-Québec has also developed a wealth of expertise in casino security and management that has attracted the interest of a number of foreign partners. In order to promote the exchange of information and sharing of this expertise, the Corporation is a member of several associations and groups of lottery corporations, including the World Lottery Association, an international organization representing 136 lottery corporations in 73 different countries and 64 suppliers of goods and services within which it has played a leadership role for a number of years by assuming General Secretariat responsibilities. Loto-Québec is also part of the North American Association of State and Provincial Lotteries (NASPL), an affiliation of 50 North American lottery corporations. In fact, in the fall of 2004, the Corporation organized the NASPL's annual convention which brought together representatives from the entire North American gaming industry in Québec City.

The Interprovincial Lottery Corporation

Along with the four other provincial lottery corporations in Canada — the Atlantic Lottery Corporation, the Ontario Lottery and Gaming Corporation, the Western Canada Lottery Corporation, and the British Columbia Lottery Corporation — Loto-Québec shares the responsibility for games offered across the country such as *Lotto 6/49* and *Super 7*. All of these corporations are associated under the banner of the Interprovincial Lottery Corporation (ILC). Loto-Québec occupies the role of President of the ILC on a rotating basis and participates regularly in various committees to exchange information and experience on subjects such as marketing, communications and national issues confronting the lottery corporations. ■

Prizes presented to Loto-Québec in Durban, South Africa by the World Lottery Association

Award-Winning Advertising

Loto-Québec is regularly recognized for the quality of its advertising. The Publicité-Club de Montréal, for example, presented the Corporation with the *Prix Hommage Jacques-Bouchard* at the 2004 edition of its annual gala. Marking only the third time it has been awarded, this prize acknowledges the consistent quality of the Corporation's advertising and the organization's exceptional contribution to the Québec advertising industry. Moreover, among its many distinctions, Loto-Québec was the recipient of two of the five prestigious advertising awards presented at the World Lottery Association's 2004 convention. The *Mariachis* spot produced for *Lotto 6/49* earned top honours in the "Best Advertising for a Lottery Game" category, while *Joys of Golf* produced for the *MiniGolf* CD-ROM lottery was recognized in the "Best Advertising for an Instant Lottery" category.

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Integrity and Security

Integrity and security serve as the cornerstones of all of Loto-Québec's gaming activities.

Draws

Loto-Québec must assure its clientele that chance and chance alone determines the outcome of its draws. Every day, the Draw Department conducts its activities with absolute transparency, in accordance with the most rigorous regulations and procedures, and under the supervision of a firm of external auditors. Before being deemed official, the result of each draw as well as its prize structure must be validated by the external auditors. Moreover, the equipment used for the different draws is subjected to extensive testing by the Draw Department at least twice a year. Some of these tests, such as ball calibration, require specialized scientific expertise and are carried out directly at the Centre de recherche industrielle du Québec à Montréal using state-of-the-art testing apparatus. When it comes to *Lotto 6/49* and *Super 7*, which are offered nationwide, the draws are held in Toronto in the presence of the Interprovincial Lottery Corporation's own external auditors.

Lottery Game System

All Loto-Québec game systems have been designed to assure unparalleled integrity and reliability. In order to ensure that no wager is lost, all transactions are registered simultaneously at two data centres in separate locations. All lottery terminal transactions are transmitted to the central data systems via a private and secure communication network. In the event of a major central system malfunction, the Corporation has a backup plan in place to transfer the data to another system within a period of six hours.

Casinos

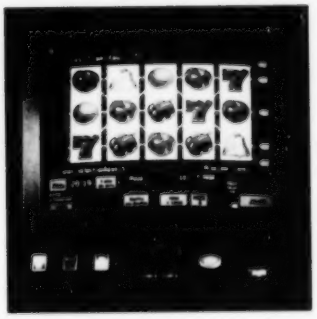
Since their opening, Québec's casinos have been equipped with innovative, high-performance systems to guarantee the integrity of games and the security of patrons and personnel. Today, the Corporation's gaming houses are among the most secure in the world. The following are some of the measures in place to assure the highest level of integrity and security at the casinos:

- All electronic gaming equipment is certified by the Laboratoire des sciences judiciaires before being put into service.
- All game software is sealed in the slot machines after the payout rate has been verified.
- Effective control and surveillance systems manage the movement of all monies in gaming equipment, as well as the chips handled by croupiers.
- A central information file developed by Loto-Québec allows for the compilation of all incidents related to casino security.
- Hundreds of cameras assure constant surveillance of public areas in the three casinos, both inside and out.
- All casino employees and suppliers are subject to a security check conducted by the Sûreté du Québec.

Video Lotteries

All video lottery terminals (VLTs) are linked to a central computer management system that assures the security and integrity of the network. Each VLT model is certified by the Laboratoire des sciences judiciaires et de médecine légale du ministère de la Sécurité publique before being put into service. This includes verification of the average payout rate, the integrity of the game modules, and the prize structure.

All manufacturers, service companies and VLT site operators must have a license issued by the Régie des alcools, des courses et des jeux.



Bingo

The Société des bingos du Québec uses an advanced computer platform developed in collaboration with Loto-Québec's Nter Technologies subsidiary. In addition to simultaneously transmitting the bingo draws in a secure and reliable manner under the supervision of a firm of independent auditors, this platform permits a high level of flexibility from a commercial standpoint in order to be able to increase the financing of activities organized by participating non-profit organizations.

Our Procurement Policy

Loto-Québec's procurement policy is designed to assure the integrity of purchases and the supply of goods to the Corporation and its subsidiaries. In conducting its procurement activities, Loto-Québec respects the principles of transparency and fairness in the choice of its suppliers. All purchases, rental of goods and procurement of services valued at $5,000 or more are subject to a call for tenders in order to enable several suppliers to present an offer. Contracts are awarded based on the application of pre-established criteria to ensure that the Corporation obtains the best price/quality ratio within the context of prevailing market conditions.

In the case of certain calls for tender (i.e. printing of lottery tickets, the supply of cleaning and maintenance products, etc.), Loto-Québec insists that suppliers offer products that have a minimal impact on the environment, contain non-polluting ingredients, or are made of recycled materials. This aspect of prospective suppliers' offers is evaluated by the selection committee as it does all other evaluation criteria. ■

LOTO QUÉBEC

our social contribution

Adopt effective measures to prevent and combat excessive gambling — **Contribute** to the financing of non-profit organizations — **Support** community and humanitarian action — **Promote** public events that bring people together and generate important spin-offs for local communities — **Be** a responsible employer.

< *International de montgolfières de Saint-Jean-sur-Richelieu*

Loto-Québec's social contribution takes numerous forms, with its primary preoccupation being to **promote healthy gaming behaviour**. In addition, the Corporation is committed to financing the activities of over 1,000 non-profit organizations, to supporting community action and humanitarian initiatives, to sponsoring hundreds of public events each year, as well as to acting as a responsible employer.

our

] social contribution [

The various facets of Loto-Québec's social contribution to be outlined in this section serve to benefit all four of the Corporation's principal publics — the Québec community at large, customers, business partners and employees alike.

Contribution to the fight against excessive gaming	**$26.1 M**
• Ministère de la Santé et des Services sociaux	$17.0 M
• Ministère de la Sécurité publique	$3.0 M
• Fondation Mise sur toi	$6.1 M
Contributions to non-profit organizations	**$20.7 M**
• Société des bingos du Québec	$10.2 M
• *Lotomatique* and kiosk sales	$10.5 M
Fonds d'aide à l'action communautaire autonome (5% of the net income generated by the Société des casinos du Québec and Resto-Casino)	**$13.2 M**
Fonds d'aide à l'action humanitaire internationale (1% of the net income generated by the Société des casinos du Québec and Resto-Casino)	**$2.6 M**
Sponsorships	**$14.6 M**
La Collection Loto-Québec	**$0.4 M**
Employee programs	**$3.2 M**

Note: All figures reflect fiscal 2004-2005 results as at March 31, 2005.
The letter "M" designates "million".

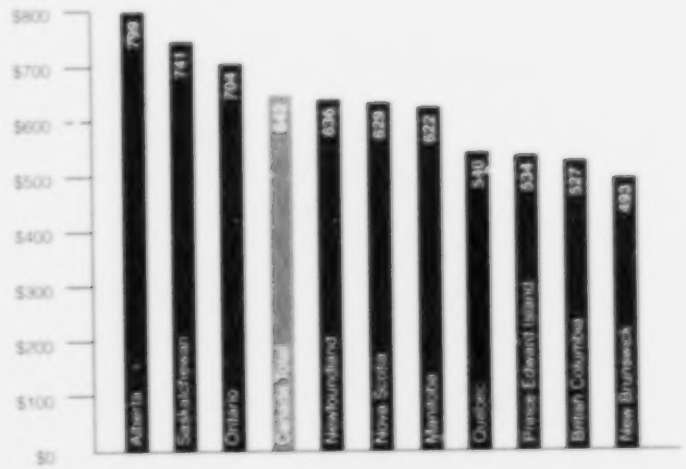
The Numbers Speak for Themselves

As a public corporation, Loto-Québec strives to take the values and sensitivities of the Québec population into account when developing its orientations. However, the Corporation's actions must be based on an objective appraisal of the problems with which the population is faced. In fact, this data reveals a reality very different from the perceptions commonly conveyed regarding gaming in Québec.

Spending on Gambling by Québecers Among the Lowest in Canada

Although they enjoy access to a selection of games that is among the most diverse in the country, Québecers rank among the Canadian consumers who spend the least on games of chance. In fact, their level of spending is almost $100 lower than the Canadian average ($540 vs. $642). Compared to the residents of other provinces, Québecers rank seventh in terms of per capita spending on legalized gambling. ■

Spending per Resident on Legalized Gambling



Source: Gross Per Capita Spending on Legalized Gambling in Canada and the Provinces in 2003-2004. Data gathered from the consolidated Annual Reports of Canadian lottery corporations for the most recent period for which complete data is available.

Excessive Gambling

Contrary to an often-shared perception, the prevalence of compulsive gambling is not on the rise in Québec. According to the results of a study conducted in 2002 among 8,842 respondents, the actual number of probable compulsive gamblers within the province's adult population dropped from 1% in 1996 to 0.8% in 2002. Based on this same study, Québec has between 35,000 and 56,000 probable compulsive gamblers, and the number of players at risk declined from 1.4% in 1996 to 0.9% in 2002.

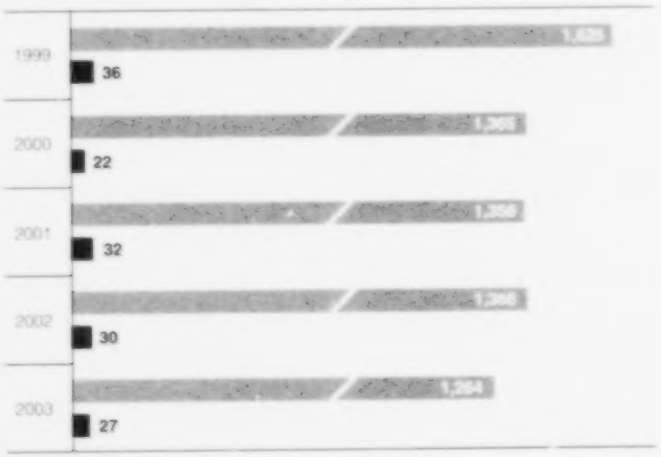
Source: Ladouceur, R., Jacques, C., Chevalier, S., Sévigny, S., Hamel, D. & Allard, D. (2004). Prevalence of Gaming and Compulsive Gambling Habits in Québec in 2002. Université Laval and Institut national de santé publique du Québec.

Between 1996 and 2002, the period during which the two studies were conducted, the estimated number of probable compulsive gamblers and the number of players at risk remained stable. During the same period, it is important to note, Loto-Québec's revenues grew by more than 40%. This growth did not result, however, in any increase in excessive gaming.

Suicides Involving Pathological Gambling as a Factor

Suicide is a highly complex phenomenon, and numerous factors usually come into play when an individual decides to take such an action. Every suicide in Québec is investigated by the Bureau du coroner, whose responsibility it is to identify the factors that contributed to an individual's decision to take his/her life. Of all the factors studied, mental problems and psychoactive substance abuse are those most often isolated. ■

Number of Suicides in Québec



Source: Bureau du coroner, ministère de la Sécurité publique, Rapport annuel de gestion 2003-2004.

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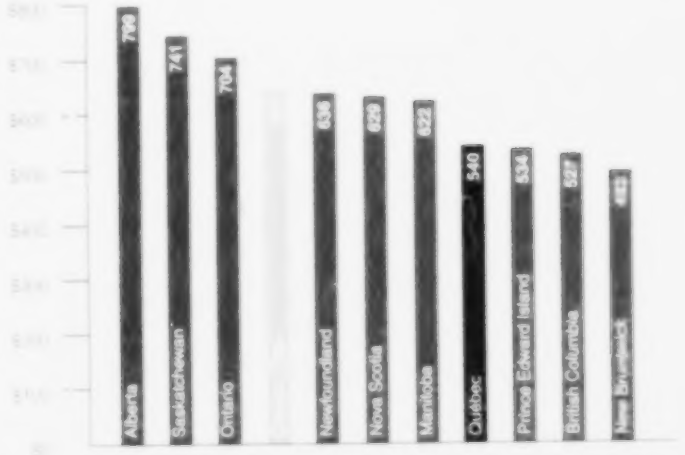

Source: Gross Per Capita Spending on Legalized Gambling in Canada and the Provinces in Canadian Dollars, data gathered from the consolidated Annual Reports of Canadian lottery corporations for the most recent period for which complete data is available.

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Number of Suicides in Quebec

Banning of Lottery Sales to Minors

Loto-Québec is constantly sensitizing its retailers to the fact that lotteries are only for adults. Since the law prohibiting the sale of lottery products to minors came into effect, the Corporation has consolidated its efforts with information and public awareness campaigns transmitted via radio and television, in its print publication, and on its terminals, which display the *18+* message. A mystery shopper program known as Ici, on carte *(Here, we card)* was also instituted by Loto-Québec in 2002 to support the application of the law. Any retailer found to be in contravention of the legislation could be subject to legal action and liable to pay a fine of $300 to $2,000 for a first offence, and between $600 and $6,000 for a repeat offence. It is the police, and not Loto-Québec, who have the responsibility of enforcing this aspect of the law.

However, the Corporation has adopted a set of administrative measures to reinforce the legislation. For example, any adult who believes that a particular retailer has sold a lottery ticket to a minor may file a complaint with Loto-Québec, which, upon receipt of such a complaint, will conduct an investigation. If the complaint proves to be well founded, the Corporation will give notice to the retailer concerned. On the first violation a formal warning is issued. Another violation will result in a suspension of the retailer's lottery sales privileges for a period of 30 days, and should there be yet another, Loto-Québec will terminate its sales agreement with that retailer.

Between February 2000 and March 2005, a total of 40 complaints involving 99 retailers were received. In response, the Corporation sent out reminder letters to 88 of these retailers, 23 of whom received formal notices. There has been no need to apply further measures to retailers who have received a formal notice.

Preventive Measures

For many years now, Loto-Québec has been taking its own actions aimed at promoting the adoption of healthy gaming behaviour.

Lotteries

- The prize structures of all products are published on Loto-Québec's Web site and in Loto-Hebdo Magazine available free of charge at retailer locations.
- Since 2002, the odds of winning are indicated on the back of lottery tickets, selection slips and paper rolls used for printing on-line tickets.
- Since the adoption of the law prohibiting the sale of lottery products to minors in February 2000, specific measures have been implemented aimed at wholesalers, retailers and consumers to better assure compliance with the law.
- Loto-Québec has adopted an advertising code of ethics that bars any form of product promotion targeting youth or specific ethnic communities.

Advertising Code of Ethics

Loto-Québec is highly attentive to the impact of its advertising messages. As part of its efforts to balance its commercial mandate with its social responsibility, the Corporation governs all of its product promotion strategies and activities with a strict advertising code of ethics that prohibits:

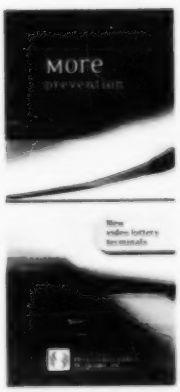
- Lottery concepts that may arouse the interest of children or specific groups or ethnic communities.
- The use of spokespersons who are popular among young people.
- The placement of ads during programs with large numbers of viewers under the age of 18.
- Advertising that targets specific groups or communities.

Casinos

- Access is prohibited for anyone under the age of 18.
- No alcohol is served in gaming areas.
- Québec's casinos do not offer any credit, contrary to other casinos in North America.
- Messages promoting moderation and the 1 866 SOS-JEUX help hotline are also displayed on slot machines.
- Interactive information terminals are in place to sensitize players to the risks of dependence on games of chance. More than 260,000 people have consulted these terminals to date.
- There is no gaming-related advertising.
- A crisis intervention service is available in the three gaming houses to provide timely assistance to players showing signs of distress related to an excessive gambling problem. This service is offered by specialized centres — the Maison Jean-Lapointe for the Casino de Montréal, the Centre 24/7 for the Casino du Lac-Leamy, and the Centre Ressource Genesis for the Casino de Charlevoix. More than 150 people to date have been detected and directed to these specialized support centres.
- An excessive gambling awareness campaign was organized by the Fondation Mise sur toi for more than 4,000 casino employees in order to improve their understanding of the phenomenon and enable them to detect and help players in a state of distress.
- The casinos offer players the possibility, on a purely voluntary and confidential basis, of self exclusion for a period ranging from three months to five years. Representing a first in North America, this initiative has now been adopted by various other casinos in Canada and the United States. Those wishing to be excluded can also make the arrangements at Centre Jean-Lapointe in Montréal, Centre CASA in Québec City, and the Centre de réadaptation Ubald-Villeneuve in Beauport. Each year, some 1,500 players take advantage of this self-exclusion program, and there are currently approximately 3,000 active files, with more than 11,000 cases of self-excluded individuals detected annually.

Video Lotteries

- Moderation messages are integrated into the terminals.
- A brochure entitled *More prevention* is on display in proximity to the terminals in every establishment.
- Every terminal has a menu explaining the concept of "chance" so as to counteract erroneous perceptions often held by excessive players.



- Players cannot stop the game symbols by simply touching the screen, as was the case before.
- The units constantly display a clock and a module that determines play duration to prevent players from losing track of time.
- The players' bank is displayed in dollars or credits to enable them to gauge the real value of their wagers, wins and losses.
- The 1 866 SOS-JEUX help hotline number is displayed on a large area on the units and under the explanatory module on game of chance of the screen.
- The number of games available was reduced from 23 to 10 in 2002, which a maximum of five per unit.
- The maximum wager amount per session is $60, as opposed to $100 previously.
- A reimbursement coupon is issued once winnings have reached $500, thus obliging players to pause play after a time.
- Terminals are automatically shut down outside of the hours authorized by the liquor permit.
- The Régie des alcools, des courses et des jeux prohibits the offering of gratuities to players to prompt them to play, such as meals or discounts on food and beverages, including alcohol.
- The Société des loteries video du Québec does not do any advertising.

How were the sites offering VLTs selected?

When the Québec Government authorized Loto-Québec to implement a video lottery network, it entrusted the Régie des alcools, des courses et des jeux (RACJ) with a mandate to determine the locations where these units could be operated. In order to ensure that VLTs were not accessible to minors, the RACJ decreed that the terminals could only be installed in licensed establishments (bars, brasseries, taverns). Consequently, the number of VLT sites is closely related to the number of bars, brasseries and taverns having obtained a VLT operating license. These areas are usually commercial or commercial/residential in nature, and their classification is determined by the zoning regulations adopted by the municipal authorities.

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- Interactive information terminals are in place to sensitize players to the risks of dependence on games of chance. More than 260 000 people have consulted these terminals to date.
- There is no gaming-related advertising.
- A crisis intervention service is available in the three gaming houses to provide timely assistance to players showing signs of distress related to an excessive gambling problem. This service is offered by specialized centres — the Maison Jean-Lapointe for the Casino de Montréal, the Centre 24/7 for the Casino du Lac-Leamy, and the Centre Ressource Genesis for the Casino de Charlevoix. More than 150 people to date have been detected and directed to these specialized support centres.
- An excessive gambling awareness campaign was organized by the Fondation Mon Sac for for more than 4 000 casino employees in order to improve their understanding of the phenomenon and enable them to detect and help players in a state of distress.
- The casinos offer players the possibility, on a purely voluntary and confidential basis, of self-exclusion for a period ranging from three months to five years. Representing a first in North America, this initiative has now been adopted by various other casinos in Canada and the United States. Those wishing to be excluded can also make the arrangements at Centre Jean-Lapointe in Montreal, Centre CASA in Québec City, and the Centre de readaptation Urgald-Villeneuve in Beauport. Each year, some 1 500 players take advantage of this self-exclusion program, and there are currently approximately 3 000 active files, with more than 11 000 cases of self-excluded individuals detected annually.

Video Lotteries

- Moderation messages are integrated into the terminals.
- A brochure entitled *More prevention* is on display in proximity to the terminals in every establishment.
- Every terminal has a menu explaining the concept of "chance" so as to counteract erroneous perceptions often held by excessive players.

- Players cannot stop the game symbols by simply touching the screen, as was the case before.
- The units constantly display a clock and a module that determines play duration to prevent players from losing track of time.
- The players' bank is displayed in dollars or credits to enable them to gauge the real value of their wagers, wins and losses.
- The 1 866 SOS-JEUX help hotline number is displayed on a large area on the units and under the explanatory module on game of chance of the screen.
- The number of games available was reduced from 20 to 10 in 2007, which a maximum of five per unit.
- The maximum wager amount per session is $60, as opposed to $100 previously.
- A reimbursement coupon is issued once winnings have reached $500, thus obliging players to pause play after a time.
- Terminals are automatically shut down outside of the hours authorized by the liquor permit.
- The Régie des alcools, des courses et des jeux prohibits the offering of gratuities to players to prompt them to play, such as meals or discounts on food and beverages, including alcohol.
- The Société des loteries vidéo du Québec does not do any advertising.

How were the sites offering VLTs selected?
When the Québec Government authorized Loto-Québec to implement a video lottery network, it entrusted the Régie des alcools, des courses et des jeux (RACJ) with a mandate to determine the locations where these units could be operated. In order to ensure that VLTs were not accessible to minors, the RACJ decreed that the terminals could only be installed in licensed establishments (bars, brasseries, taverns). Consequently, the number of VLT sites is closely related to the number of bars, brasseries and taverns having obtained a VLT operating license. These areas are usually commercial or commercial/residential in nature, and their classification is determined by the zoning regulations adopted by the municipal authorities.

State Management of Gaming — Video Lottery Terminals

Before 1994

- 35,000 - 50,000 illegal terminals[1] estimated by the Sûreté du Québec to be accessible at various merchant locations, including convenience stores.
- Variable payout rates controllable by location managers.
- Uncontrolled prize payout.
- Uncontrolled operating hours.
- No support or prevention programs in place.

As of March 31, 2005

- 14,007 State-administered terminals.
- Restricted to individuals aged 18 or over and access in bars and brasseries only.
- Messages and various preventive mechanisms in place on terminals.
- Controlled operating hours.
- Certified terminal payouts.
- Prevention and help hotline messages.
- Training for site operators.

December 2007 (projection)

- 13,570 terminals [2].

[1] *Parliamentary Commission on Draft Bill 84 - June 1993*
[2] *Loto-Québec 2004-2007 Development Plan*

***Au hasard du jeu* Awareness Campaign**

In collaboration with the Université Laval-affiliated Centre québécois d'excellence pour la prevention et le traitement du jeu, Loto-Québec has developed a comprehensive and far-reaching awareness campaign known as *Au hasard du jeu*. Designed for video lottery terminal site operators, over 4,200 individuals have already participated in this program which focuses on such questions as is there a link between chance and excessive gaming, how to recognize the symptoms of this disorder, and should one intervene or not. The Société des loteries vidéo du Québec is the first to have implemented such a program in the world.

Au hasard du jeu earned a mention of excellence in the "Economic, Social and Environmental Development" category of a contest held by the International Association of Business Communicators in April 2003. In addition, the program was the subject of an article in *The Wager* [1] (Worldwide Addiction Gambling Education Report), a publication issued by a research centre affiliated with the Harvard Medical School.

[1] *STANTON, Michael. "Seller Beware? Educational Workshops for VLT Retailers", The Wager, Vol. 9, No 41, October 13, 2004.*

Gaming Centres

Following is a list of measures to be implemented at the future gaming centres:

- Access prohibited for anyone under the age of 18.
- Self-exclusion program in place.
- Dress code in effect.
- No alcohol served in gaming areas.
- The 1 866 SOS-JEUX help hotline number to be displayed on VLTs.
- Governed by an advertising and promotion code of ethics.
- No loyalty program.
- Shorter business hours than licensed establishments.
- No automatic teller machines in the gaming areas.
- No credit card advances.
- No personal cheques accepted.
- Special mechanisms installed on VLTs to:
  - Reduce the speed of the game;
  - Fix maximum wagers at $2.50;
  - Display the player's pot in dollars and credits;
  - Limit earnings to a maximum of $500;
  - Pay winnings with coupons rather than cash.

Bingo

- No one under the age of 18 can play.
- 1 866 SOS-JEUX help hotline number and *18+* logo clearly displayed in halls. ■

The Fondation Mise sur toi

In 2001, research activities and prevention programs in the area of excessive gaming were transferred from Loto-Québec to the ministère de la Santé et des Services sociaux. The following year, the Corporation created the Fondation Mise sur toi in order to pursue its own efforts to prevent excessive gaming and offer the public a gaming environment that is both entertaining and secure. Since then, the Foundation's mission and objectives have revolved around the promotion of healthy gaming behaviour, the prevention of the harmful effects of excessive gaming, and the protection of those who are vulnerable.

In support of these objectives, the Foundation is committed to the implementation of the following series of concrete actions:

- Organization of awareness sessions for Loto-Québec employees.
- Dissemination of prevention messages among the public through the promotion of the 1 866 SOS-JEUX help hotline.
- Development of the Foundation's Web site to provide up-to-date information about responsible gaming.
- Design and distribution of tools and information materials (self-control manuals, posters, brochures, flyers, etc.).
- Organization of information days for representatives of the health and social services network and individuals working to help compulsive gamblers.
- Provision of financial support to organizations involved in prevention efforts.
- Participation in different events (conferences, conventions, trade shows, etc.)

FONDATION MISE SUR TOI

une initiative de Loto-Québec

Since 2002, Loto-Québec has been promoting its 1 866 SOS-JEUX help hotline, which provides assistance to people experiencing excessive gambling problems, as well as to their family members. Bilingual, free, anonymous and strictly confidential, this service offers an attentive ear and pertinent information to help break the dependence on games of chance. The 1 866 SOS-JEUX hotline also familiarizes callers with the resources available in each region of the province, 24 hours a day, 7 days a week. The hotline number is prominently displayed on all video lottery terminals, inside casinos and bingo halls, as well as on lottery products. ■

Si le jeu n'est plus un divertissement...

1 866 SOS-JEUX

JEU AIDE ET RÉFÉRENCE

Loto-Québec has provided financing for the creation of two **gaming research centres** in the province that have quickly become **international references** within this field. These centres are totally independent of the Corporation.

The Fight Against Excessive Gambling

Loto-Québec has been devoting its attention to the social consequences of gaming for more than 20 years. Today, the Corporation is leading the way with its initiatives and investments in combating excessive gaming. Between 1999 and 2005, for example, Loto-Québec allocated close to $86 million to the effort. Since 2001, the Corporation has transferred the responsibility for the management of sums earmarked for excessive gaming assistance programs, research activities and prevention initiatives to the ministère de la Santé et des Services sociaux. In addition, Loto-Québec committed to contributing $20 million annually to this Ministry and to the Régie des alcools, des courses et des jeux. The Corporation has also set aside an internal annual budget to support its own initiatives in the area. This budget was up to $6.1 million in fiscal 2004-2005, making for a total contribution of $26.1 million.

Moreover, on April 1, 2001, a research program examining the socioeconomic impact of games of chance was initiated by the ministère de la Santé et des Services sociaux in collaboration with the Fonds québécois de la recherche sur la société et la culture, financed from the $17 million contributed to this Ministry annually by Loto-Québec. ■

International Centre for Youth Gambling Problems and High Risk Behaviours, McGill University

In 2000, Loto-Québec helped finance the creation of the International Centre for Youth Gambling Problems and High Risk Behaviours. Associated with McGill University and directed by Jeffrey Derevensky, this Centre is involved primarily in conducting fundamental and clinical research, treating dependence among youth, training specialists and researchers, developing prevention programs, and formulating recommendations concerning prevention and treatment policies. In 2005, the Centre received the Outstanding Contributor Award from the National Council on Problem Gambling, an American organization that promotes responsible gaming. The award was presented to the Centre in recognition of its contribution to research on excessive and compulsive gambling.

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Centre québécois d'excellence pour la prévention et le traitement du jeu, Université Laval

At the end of 1997, Loto-Québec lent its financial support to launching the Centre québécois d'excellence pour la prévention et le traitement du jeu, assuring the organization affiliated with Université Laval of a five-year financial commitment. Under the direction of Professor Robert Ladouceur, the Centre's mission is to prepare and disseminate information and preventive tools, to develop and evaluate prevention programs designed for both young people and adults, to train specialists who assist compulsive gamblers, and to offer a treatment program to individuals grappling with the problem, along with a support program for their loved ones. The principal American gambling research organization, the National Centre for Responsible Gambling (associated with the Harvard Medical School), has recently presented Professor Ladouceur with the prestigious Senior Investigator Award, which recognizes researchers who make an outstanding contribution to their field.

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Total contribution to non-profit organizations and to community and humanitarian action initiatives in 2004-2005:
Over $36.5 million

Support of Non-Profit Organizations

For over 25 years, Loto-Québec's activities have contributed to the financing of thousands of non-profit organizations (NPOs) throughout the province thanks to a variety of different programs and agreements.

Lotomatique and Lottery Kiosks

In November 1977, the Québec Government, by way of Loto-Québec, entrusted NPOs with the exclusive right to sell lottery subscriptions under the banner of Lotomatique, a service that offers both individual and group subscriptions to various of the Corporation's lotteries. These organizations were also authorized to operate lottery kiosks in shopping malls and other high-traffic public places. During the past fiscal year, a total of 1,415 organizations authorized to sell Lotomatique subscriptions or operate lottery kiosks shared commissions in the order of $10.5 million.

Société des bingos du Québec

Since 1997, the Société des bingos du Québec (SBQ) has been marketing network bingo games to increase the revenues of non-profit organizations, contributing 100% of the profits generated to NPOs that organize activities in participating halls. During fiscal 2004-2005, the SBQ remitted more than $10.2 million to over 1,000 NPOs, and since its creation, the subsidiary has contributed no less than $71 million to these organizations.

Fonds d'aide à l'action communautaire autonome

Each year, Loto-Québec allocates 5% of the profits generated by the casinos and their affiliated businesses (bars, restaurants, hotels, etc.) to the Fonds d'aide à l'action communautaire autonome. This fund is administered by the Secrétariat à l'action communautaire autonome du Québec (SACA), which falls under the auspices of the ministère de l'Emploi, de la Solidarité sociale et de la Famille. Loto-Québec's contribution enables SACA to award subsidies to hundreds of community organizations. During fiscal 2004-2005, the Corporation's contribution to the Fund equalled $13.2 million.

Fonds d'aide à l'action humanitaire internationale

Loto-Québec also contributes 1% of these same profits generated through the operation of the casinos and their affiliated businesses to the Programme d'aide à l'action humanitaire internationale administered by the Secrétariat à l'aide internationale du Québec (SAIQ), which operates under the auspices of the ministère des Relations internationales. During fiscal 2004-2005, this contribution totalled $2.6 million. ■

Our Responsibility Toward our Employees

Loto-Québec's employees constitute one of the Corporation's key assets and a true source of pride. With some 7,000 working in more than 250 different job categories, the organization's challenges related to human resources are considerable. As a public corporation, Loto-Québec works hard to set an example with respect to fairness in hiring practices, working conditions and labour relations. The Corporation also strives to provide its employees with a healthy and stimulating working environment that offers them opportunities to advance and fulfill their maximum potential.

Training and Development

During fiscal 2004-2005, Loto-Québec devoted close to 1.5% of its total payroll, or over $4 million, to personnel training and development. The various training programs offered are coordinated by the Corporation's Centre de développement des compétences and are designed to satisfy the following three fundamental objectives: reinforce management skills, train new employees and enhance technical and professional expertise. The development of leadership skills, conflict management, as well as office technologies and languages were the principal areas of focus in training sessions during fiscal 2004-2005.

Furthermore, permanent or temporary employees of the Corporation are eligible to participate in the Academic Fee Reimbursement Program under certain conditions. Thanks to this initiative, employees who enrol in and successfully complete academic courses recognized by the ministère de l'Éducation du Québec and compatible with their position or career goals are entitled to a full reimbursement of their course fees and certain related expenses.

Phil, the moment of truth

Since September 2004, Loto-Québec's 6,000 or so casino employees all have access to a special day of training known as *Phil, the moment of truth*, which uses virtual characters to recreate situations similar to those experienced by the employees themselves, particularly customer service-related situations. The primary objective of this exercise is to sensitize and get employees to appreciate the importance of their respective roles in assuring the success of their establishment. Particular areas of focus include the development of a spirit of initiative and collaboration between employees, with the bottom line being to continuously offer casino patrons superior service.

In order to involve employees of the three casinos in the search for and implementation of solutions to problems encountered during day-to-day operations, various Kaizen activities were organized over the course of the past several months. Imported from Japan, the Kaizen method is a continuous improvement process to be executed in a very short span of time. This initiative is designed to enhance the efficiency of work methods and allow for the adoption of new tools. Employees who take part in this approach appreciate the cooperative aspect and the recognition of their contribution.

Unionization

More than 70% of Loto-Québec's 7,000 employees, or approximately 5,000 individuals, are unionized. These employees are represented by a total of 17 different trade unions, each with its own collective agreement. These unions are accredited by the Canadian Union of Public Employees, the Confédération des syndicats nationaux, the Travailleurs et travailleuses unis de l'alimentation et du commerce, and the Syndicat des professionnelles et professionnels du gouvernement du Québec.

Salary Equity

The initial steps of Loto-Québec's and its subsidiaries' salary equity programs pertaining to the identification of job categories and their prevalence, as well as to the development of job evaluation tools and methods are now complete. The various committees in place are currently in the process of evaluating jobs and salary differentials.

Recognizing Years of Service

The Corporation is extremely proud of its employees and of their loyalty and dedication to giving 100% to helping the organization advance. That is why a program to recognize employees' years of service was established in 2004 to mark each five years of service, and to pay tribute to individuals who are retiring. Special celebrations are also organized by each sector, with souvenir items presented to individuals who have reached a significant milestone during the course of the year. In addition, financial planning and psychosocial adaptation workshops are offered in preparation for retirement to employees with a certain number of years of service or who have reached a particular age.

Accessibility

Loto-Québec is committed to integrating people with physical or mental disabilities into its workplace.

The year 2004 marked the 10th anniversary of the Corporation's Access Plus Program, which offers student grants and internships providing valuable work experience to improve the employability of young students with physical or sensory disabilities. Over a period of 10 years, 80 young people have had the benefit of such internships within the Corporation and its subsidiaries.

Also during the past fiscal year, Loto-Québec awarded more than $830,000 in contracts to five adapted work centres that hire the handicapped. These establishments provide maintenance, printing and point-of-sale advertising material production services, manufacturing such items as ticket display units.

Personal Assistance Program

All Loto-Québec employees and their spouses and immediate family members can take advantage of the Corporation's Personal Assistance Program. This program provides quick and free access to a confidential consultation outside of the workplace with a qualified professional to discuss any personal, family, financial or professional problems. It is essentially a short-term intervention service designed to offer timely results. A telephone service is also available 24 hours a day, 7 days a week.

Daycare Centres

In order to help employees balance their work and family obligations, Loto-Québec offers them the possibility of having their young children looked after at daycare centres located within or near their workplace. The Corporation operates three such centres — *Les Minis* at its head office, which can accommodate 72 children, *Les Casinours* near the Casino de Montréal, which has space for 80 youngsters, and *Au pays des anges* near the Casino du Lac-Leamy, also with space for 80. Due to their proximity to the workplace, these centres promote parent participation and assure better continuity between home and the daycare for the child. The three centres are part of the public daycare system and offer corresponding rates. In addition, employees' youngsters aged 5-12 can participate in the *Les Minis Plus* day camp, which offers a variety of stimulating activities and outings for primary school children. ■

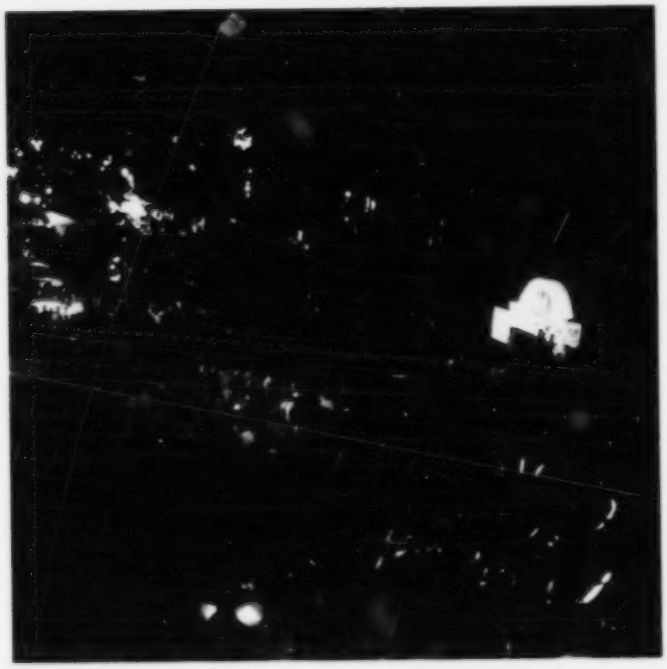
Our Sponsorship Policy

Loto-Québec's sponsorship policy enables the Corporation to support its social commitment and get even closer to the general public. The events sponsored are selected based on their potential to generate positive spin-offs within the community and their capacity to attract tourists. The Corporation's sponsorship initiatives are fuelled by two fundamental objectives — to add value to events by extending their reach, and to assure a positive presence in line with the organization's entertainment mandate.

In May 2004, Loto-Québec adopted a new two-pronged sponsorship policy. Under the banner of *Les Rendez-vous Loto-Québec*, the Corporation is dedicated to providing a high degree of support to festival-type events across the province. These rendezvous are generally open-air public events that are accessible to all or offer a range of activities free of charge. In addition to direct financial contributions, Loto-Québec provides these events with promotional and advertising support that puts them in the spotlight and extends their reach. During fiscal 2004-2005, some 100 different events were sponsored as part of the *Rendez-vous Loto-Québec* program, including the Mondial des Cultures de Drummondville, the FrancoFolies de Montréal, the Hot Air Ballooning Festival in Saint-Jean-sur-Richelieu, and the Valleyfield Regatta. Of the 33 events sponsored for the first time last year, 25 were held outside the Montréal region.

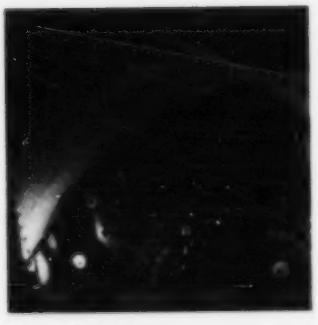
Moreover, under the theme of *Les Sorties signées Casino*, the three gaming houses also contribute to the vitality of the economy and tourism industry through the sponsorship of events across the province. While taking the regional realities of each casino into account, this program supports prestigious events that have an international reach, appeal to an adult population, and offer opportunities to hold concurrent activities at the gaming houses. Examples of events sponsored under this program include the Montréal F1 Grand Prix, the Rogers Cup with Tennis Canada, the Ottawa Tulip Festival, and the Charlevoix Casino Cup.

Loto-Québec has set an objective of allocating 1% of its net income to sponsorships each year. During fiscal 2004-2005, the Corporation dedicated $14.6 million, or 0.92% of its net income, to the sponsorship of more than 100 different events. ■



Festival de théâtre de rue de Shawinigan

LES RENDEZ-VOUS LOTO-QUÉBEC
LE PLAISIR D'ÊTRE ENSEMBLE



Festival d'humour de l'Abitibi-Témiscamingue, Val d'Or

Les grands feux du Casino du Lac-Leamy >

La Collection Loto-Québec

In parallel with its sponsorship activities, since 1980, the Corporation has been supporting the visual arts milieu through a program for the acquisition of contemporary works of art. Twenty-five years later, *La Collection Loto-Québec* has grown to become the largest corporate collection of contemporary art in the province, encompassing close to 3,400 distinctive works created by some 875 artists. Over the past few years, approximately 200 new works have been added to the Collection. These are selected in accordance with a set of stringent criteria by a committee made up of Loto-Québec employees working under the direction of the Collection's curator. The Collection's works are exhibited in the Corporation's art gallery, go out on tour as part of expositions held throughout the province, and are displayed in various Loto-Québec offices and establishments.

Moreover, in order to assure that its Collection exhibits the greatest regional diversity possible, Loto-Québec regularly finances the organization of Expo-Sales throughout the province. The works created by artists originating from these regions are showcased, and the Corporation assembles a special acquisition jury responsible for evaluating and selecting the works.

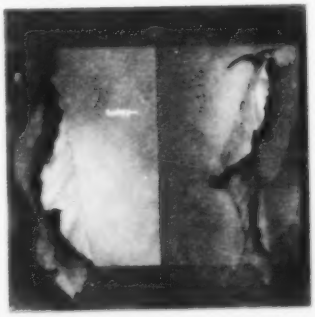
Each year, Loto-Québec allocates 1/100 of 1% of its annual gross income of the preceding year to its acquisition program, and since 1980, close to $4.6 million has been invested in obtaining new works for the Collection.

A New Multi-Functional Arts Venue

In 2005, the art gallery located on the main floor of Loto-Québec's head office building underwent a complete transformation. Now known as *Espace Création Loto-Québec*, the gallery's mission is to realize innovative projects with artists working in the visual arts, literature, music and performing arts milieus. The new gallery was inaugurated in May 2005 with an exhibition devoted to the paintings, photographs and personal items of noted filmmaker Gilles Carle. The facility is readily accessible to the public as entrance is free of charge. ■

ESPACE CRÉATION
LOTO-QUÉBEC

COLLECTION



Odette Théberge, Mouvance, n° 37, 2003. Mixed media on canvas

Tom Hopkins, Lifeline Headland, 2004. Oil on canvas

LOTO QUÉBEC

our environmental contribution

Reduce our impact on the environment — **Preserve** a healthy environment for employees, customers and future generations.

To date, the Corporation has concentrated its environmental efforts on infrastructures that enable it to fulfill its mission. Particular attention has been focused on the environmental performance of buildings, an area in which efforts will be intensified over the next few years. The majority of subsidiaries and business units also participate in the Corporation's Social Responsibility Committee, whose mission it is to formulate and implement an effective **sustainable development** strategy. Furthermore, Loto-Québec relies upon numerous other committees made up of employees to draw up recommendations for ways to improve the **environmental performance** of their respective units and overall **quality of life** in the workplace.

our

]environmental contribution[

Loto-Québec's commitment to the environment primarily involves its employees and business partners, while being of benefit as well to the provincial community at large.

Our Sustainable Development Initiative

With the approval of the Board of Directors and the Management Committee, the sustainable development initiative undertaken by Loto-Québec was placed under the responsibility of the Première vice-présidence aux communications et aux affaires publiques. As this Review was being published, the Committee was in the evaluation stage assessing the Corporation's current practices. Loto-Québec will be issuing periodic updates on the evolution of this initiative on its Web site and via its corporate publications.

Phases of the 2005-2008 Initiative:

1. **Creation** of a Social Responsibility Committee involving all of the Corporation's departments and business units.
2. Taking **inventory** and **evaluating** current practices in the area of sustainable development.
3. **Formulation** of a sustainable development strategy (including objectives and performance indicators).
4. **Preparation** of an action plan for the next three to five years proposing a series of new practices.
5. **Approval** of the plan by the appropriate decision-making authorities.
6. **Implementation** and **monitoring** of the action plan.
7. Regular **progress reporting** to the Board of Directors.

Green Buildings

In the spring of 2005, the Corporation announced its desire to have all of its buildings obtain certification under the Go Green program of BOMA Québec (Québec Association of Building Owners and Administrators). This program encourages, recognizes and certifies best environmental practices in the area of commercial and institutional building management. In order to obtain such certification, buildings must undertake the following actions:

- Conduct an audit and formulate a plan for the reduction of energy consumption.
- Develop a water preservation plan.
- Adopt a construction waste management policy.
- Implement a paper, glass, plastic and metal recycling program.
- Maintain an inventory and develop a hazardous materials management plan.
- Advocate the use of healthy and recyclable materials.
- Develop a plan for the reduction of substances that deplete the ozone layer.
- Assure good indoor air quality.
- Maintain heating, ventilation and air conditioning equipment in good condition.
- Sensitize occupants to the environmental issues affecting their building.

LEED Standard for the Construction of New Buildings

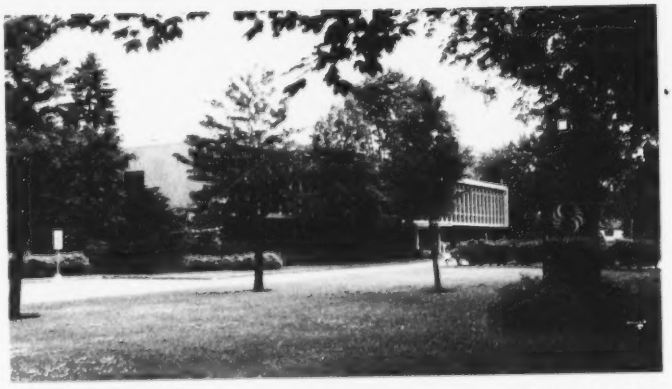
Loto-Québec has committed to ensuring that all new buildings it constructs or occupies meet the American Leadership in Energy and Environmental Design (LEED) ecological building standard instituted by the U.S. Green Building Council. Few public buildings in Québec currently meet this standard, although there are some exceptions like the Cité des arts du cirque (TOHU). In its present version, the LEED project evaluates the environmental performance of buildings by examining the following six sets of criteria:

1- Durability: choice of site, impact of construction on the immediate area, light pollution, heat island effect, etc.
2- Effective Water Utilization: water consumption, waste management, exterior landscaping promoting drainage, etc.
3- Energy Consumption and Polluting Emissions: reduction of ozone-depleting substances, use of green and/or renewable energy resources, greenhouse gas emissions, etc.
4- Utilization of Resources: utilization of local, recycled, renewable and certified resources, etc.
5- Quality of Indoor Environment: use of natural lighting, use of materials that do not generate harmful emissions (paint, carpeting, adhesives, sealing materials, etc.).
6- General Design Innovations.

Loto-Québec's head office and Québec City office were among the first buildings in the province to be **certified** by the ***Go Green*** program.

Two Initial Certifications

In May 2005, Loto-Québec's head office and office in Québec City were among the first 23 buildings in the province to be certified by the *Go Green* program. Included in the series of concrete measures implemented at head office to obtain this certification were the replacement of halon extinction systems, the replacement of existing cooling units with new units that do not use gas damaging to the ozone layer, and the installation of sensors to detect leaks in diesel reservoirs. At the Québec City regional office building, new motion detection faucets were installed, the fountain was replaced by a flower garden, a number of recycling agreements were concluded with outside partners, condensers were installed to reduce the air conditioning system's power consumption, and improvements were made to the programming of lighting and ventilation system activation and deactivation. Moreover, similar efforts are currently underway in the Corporation's other buildings.



Québec City Office

Green Buildings

In the spring of 2005, the Corporation announced its desire to have all of its buildings obtain certification under the Go Green program of BOMA Québec (Québec Association of Building Owners and Administrators). This program encourages, recognizes and certifies best environmental practices in the area of commercial and institutional building management. In order to obtain such certification, buildings must undertake the following actions:

- Conduct an audit and formulate a plan for the reduction of energy consumption.
- Develop a water preservation plan.
- Adopt a construction waste management policy.
- Implement a paper, glass, plastic and metal recycling program.
- Maintain an inventory and develop a hazardous materials management plan.
- Advocate the use of healthy and recyclable materials.
- Develop a plan for the reduction of substances that deplete the ozone layer.
- Assure good indoor air quality.
- Maintain heating, ventilation and air conditioning equipment in good condition.
- Sensitize occupants to the environmental issues affecting their building.

Loto-Québec's head office and Québec City office were among the first buildings in the province to be **certified** by the ***Go Green*** program.

LEED Standard for the Construction of New Buildings

Loto-Québec has committed to ensuring that all new buildings it constructs or occupies meet the American Leadership in Energy and Environmental Design (LEED) ecological building standard instituted by the U.S. Green Building Council. Few public buildings in Québec currently meet this standard, although there are some exceptions like the Cité des arts du cirque (TOHU). In its present version, the LEED project evaluates the environmental performance of buildings by examining the following six sets of criteria:

1- Durability: choice of site, impact of construction on the immediate area, light pollution, heat island effect, etc.
2- Effective Water Utilization: water consumption, waste management, exterior landscaping promoting drainage, etc.
3- Energy Consumption and Polluting Emissions: reduction of ozone-depleting substances, use of green and/or renewable energy resources, greenhouse gas emissions, etc.
4- Utilization of Resources: utilization of local, recycled, renewable and certified resources, etc.
5- Quality of the Environment: use of natural lighting, use of materials that do not generate harmful emissions (paint, carpeting, adhesives, sealing materials, etc.).
6- General Design Innovations.

Two Initial Certifications

In May 2005, Loto-Québec's head office and office in Québec City were among the first 23 buildings in the province to be certified by the *Go Green* program. Included in the series of concrete measures implemented at head office to obtain this certification were the replacement of halon extinction systems, the replacement of existing cooling units with new units that do not use gas damaging to the ozone layer, and the installation of sensors to detect leaks in diesel reservoirs. At the Québec City regional office building, new motion detection faucets were installed, the fountain was replaced by a flower garden, a number of recycling agreements were concluded with outside partners, condensers were installed to reduce the air conditioning system's power consumption, and improvements were made to the programming of lighting and ventilation system activation and deactivation. Moreover, similar efforts are currently underway in the Corporation's other buildings.

Québec City Office

Recovery and Recycling

All of Loto-Québec's buildings currently have a paper-recycling program in place. The three casinos and the Fairmont Le Manoir Richelieu have also adopted programs for the recovery of glass, plastic and certain other materials. Over the course of 2005, the Hilton Lac-Leamy and the Corporation's Laval and Québec City regional offices will be instituting such programs as well.

Almost all of Loto-Québec's instant lottery tickets (99.4%) and those offered in Special Edition packs are **printed on paper stock containing 10% post-consumer fibre** and are **recyclable**. The only exceptions are the Special Edition packs and tickets made of metallic paper stock.

Recovery of Construction Waste

Since 2005, Loto-Québec's calls for tender require that suppliers transport and dispose of construction and/or demolition waste at their own expense. Suppliers must also agree to respect the recommendations of Recyc-Québec pertaining to the recycling and disposal of construction waste. Finally, all suppliers must provide proof that waste was disposed of at sites approved by the ministère du Développement durable, de l'Environnement et des Parcs of Québec.

The Casinos and the Environment

Management at the three casinos encourage their employees to find new, ecologically viable ways of doing things. As such, major improvements have been made at the gaming houses with respect to environmentally friendly landscaping, water management, polluting emissions, energy consumption, and the use of healthy materials. Among the particular measures taken were the installation of energy-saving systems and the recovery and recycling of paper, glass, plastic containers, halogen lamps and used oils.

Moreover, Loto-Québec implemented various initiatives to develop the sites on which its gaming houses are located, including the transformation of Expo 67's original French and Québec pavilions to house the Casino de Montréal. Since then, lovely green spaces and magnificent gardens have been created on the site of the *Floralies*, a brilliant showcase of international horticulture held in 1980.

For its part, the Casino du Lac-Leamy was built on the site of an old cement quarry that had filled with water over the years. A major revitalization and draining effort had to be implemented to clean up the location and remove all of the equipment that had been abandoned there. Once that work was completed, a channel could be dug in order to link the quarry with Leamy lake, thus allowing for a new level of development. Today, the Lac-Leamy casino and hotel complex is nestled in an oasis of lush greenery and sparkling water in close proximity to both Gatineau and Ottawa.

Development of an Exceptional Tourist Site

Between 2000 and 2004, Loto-Québec also invested $12.5 million in the construction of reception infrastructures at the Parc national des Hautes-Gorges-de-la-Rivière-Malbaie in Charlevoix, a UNESCO-designated World Biosphere Reserve. The Corporation contributed $6 million for the construction of the Le Draveur service centre and service buildings, for related equipment, as well as for the development of some trails. Another $6.5 million was allocated for the access road leading to the Park. Thanks to these contributions, Loto-Québec helped to protect this exceptional and highly appreciated natural site and make it more accessible to outdoor enthusiasts. By facilitating and promoting access to the Park, this contribution also had a positive effect on tourist activity within the Charlevoix region. ■

Parc national des Hautes-Gorges-de-la-Rivière-Malbaie >

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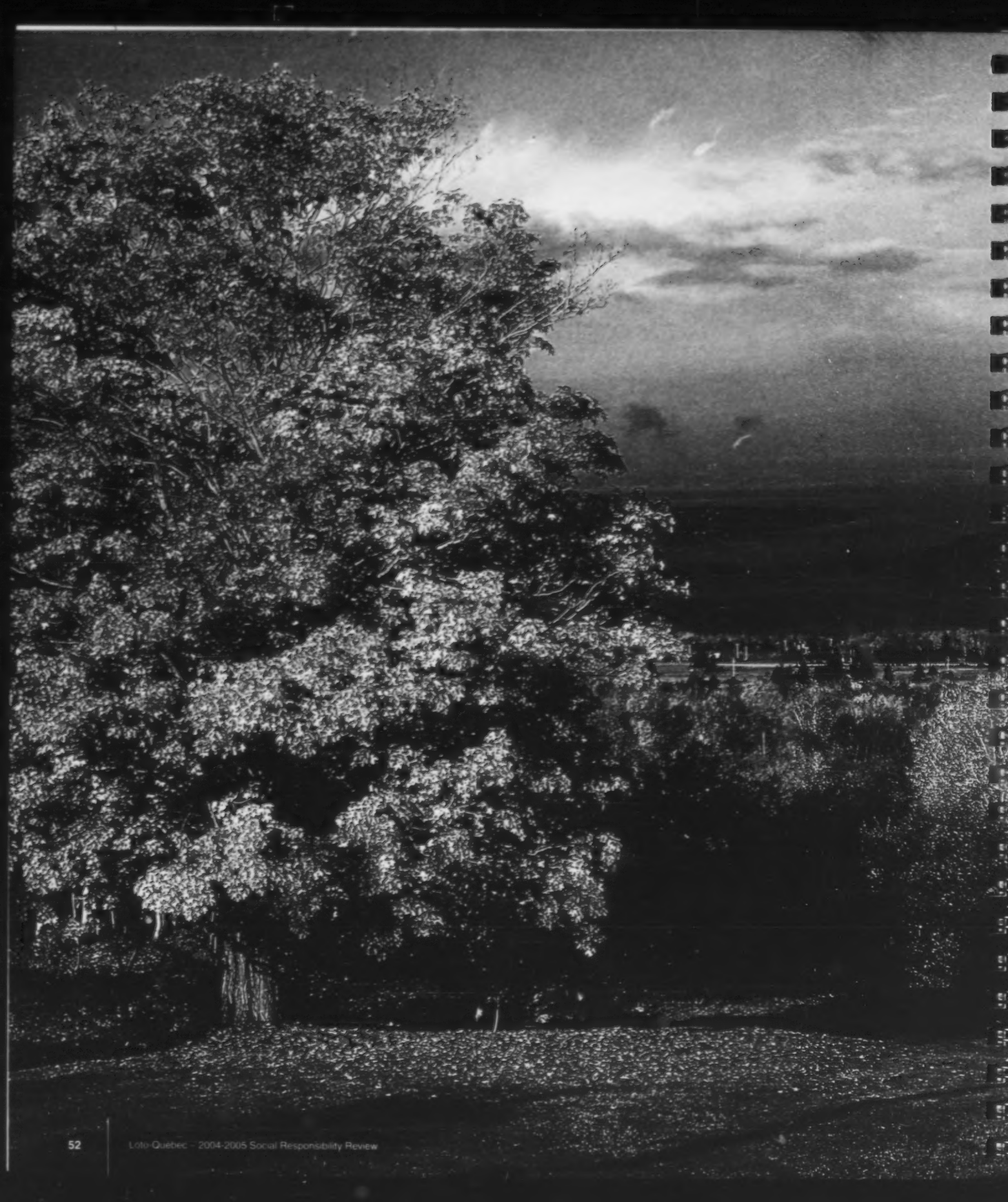
Parc national des Hautes-Gorges-de-la-Rivière-Malbaie



LOTO QUÉBEC

2004-2007

[development plan]

On May 6, 2004, Loto-Québec released its 2004-2007 Development Plan, designed to assure a balance between the Corporation's economic mission and its social responsibility. The Plan outlined four fundamental objectives — **Minimize** the social costs associated with games of chance and adopt new measures to combat pathological gambling — **Boost** overall efficiency and performance so as to remit the anticipated level of dividend to the Corporation's shareholder — **Contribute** to the development of the tourism industry, working in concert with the major players in the sector — **Refrain** from increasing overall game offer.

In order to meet these objectives, Loto-Québec has proposed three strategic initiatives:

1

The **reduction of accessibility to video lottery terminals** by cutting the number of sites by **at least 31%** by the year 2007 and by concentrating the majority of the units thus recuperated at five gaming centres to be controlled by Loto-Québec.

2

The creation of an organization independent of Loto-Québec and the Government — the **Conseil québécois pour le jeu responsable** — dedicated to compulsive gambling research and to promoting public awareness, prevention, and to treatment of this phenomenon.

3

The development of a **long-term solution** for the continued operation of the **Casino de Montréal** under the best conditions possible without augmenting game offerings.

Reconfiguration of the Video Lottery Network

Although the most recent studies indicate a stabilization in the number of compulsive gamblers in the province, dependence on gaming remains a real and constant preoccupation for Loto-Québec. The conclusions of existing scientific documentation and of discussion groups led by the Centre québécois d'excellence pour la prévention et le traitement du jeu advocate the regrouping of video lottery terminals (VLTs) in a limited number of gaming centre-type sites in order to reduce their visibility and accessibility.

In response to this situation, the Corporation decided to reconfigure its VLT network by reducing the number of sites offering VLTs by 31% and by concentrating the terminals thus recuperated in five controlled sites, or gaming centres, which will be managed by a new subsidiary created by Loto-Québec. The total number of VLTs available must nevertheless be sufficient and geographically diverse enough to prevent the return of illegal devices. The essential elements of this proposal were approved by the Government in the fall of 2004, and its implementation has already begun.

The selection of sites from which VLTs was withdrawn will be made in accordance with a set of rigorous criteria. As such, all units will be removed from sites currently equipped with 1 to 4 VLTs within two categories of targeted zones:

- Sectors where the average annual household income is less than $50,000 and the ratio of VLTs is higher than the Québec average of two per 1,000 residents[1].
- The four most heavily populated municipalities — Montréal, Québec City, Longueuil and Laval.

The proposed regrouping of VLTs in establishments under the auspices of Loto-Québec will allow for more rigorous monitoring of compliance with regulations, better filtering of players based on age, and the application of self-exclusion measures, as well as reduced visibility and the implementation of a series of preventive measures. For example, no loyalty program will be permitted, operating hours will be shorter than in bars, and the consumption of alcohol in gaming areas will be prohibited.

[1] *Average household revenue is established based on the Statistics Canada 2001 census, while the rate of VLTs per 1,000 residents is based on November 2003 figures.*

Reduced VLT Offerings

Overall offerings within the video lottery sector have continued to diminish over recent years. In fact, the Régie des alcools, des courses et des jeux has not issued any new video lottery licenses since 2001 in accordance with a moratorium. During fiscal 1998-1999, Loto-Québec's VLT network was at its summit, with 15,314 units installed at 4,175 sites. As of March 2005, however, the number of units had declined to 14,007 in place at 3,267 sites. The projection for 2007 is to further reduce the size of the network to 13,570 and the number of sites to 2,521. ■

Additional Measures to Promote Responsible Gaming

In line with its commitment to reduce accessibility to video lottery terminals (VLTs) and promote responsible gaming, on October 14, 2005, Loto-Québec announced the implementation of four additional measures that complement the initiatives outlined in its 2004-2007 Development Plan. These measures propose new modes for the voluntary removal of VLTs and intensify assistance and support to players in difficulty, as well as training and assumption of responsibility within the retailer network.

- A voluntary removal program in 271 targeted zones is to be offered to retailers with five VLTs on their premises. Furthermore, another voluntary removal program will target owners of multiple sites (10 VLTs or more) across the province. As such, a maximum of 10 VLTs could be relinquished per multiple site. These two programs will be in effect for a period of 12 months as of October 14, 2005 and should allow for a reduction of 100 more sites.

- The Fondation Mise sur toi has been entrusted with a mandate on a trial basis to work with the appropriate parties to implement a series of additional prevention programs and measures in aid of individuals in specific sectors or regions who are experiencing problems associated with gaming.

- The *Au hasard du jeu* training session developed by Université Laval's Centre québécois d'excellence pour la prévention et le traitement du jeu will be re-launched for the benefit of retailers.

- An operating code has been developed and will be applied to promote the responsible management of video lottery terminals. The code is comprised of some 20 stipulations that bar owners must adhere to.

The Conseil québécois pour le jeu responsable

The Conseil québécois pour le jeu responsable would be an independent, non-profit organization with a mission to promote the development of healthy and responsible attitudes and behaviours with respect to gaming among individuals and communities. The organization would put particular emphasis on preventing the harmful effects of excessive gaming and on protecting those who are vulnerable.

In order to fulfill this mission, the Conseil would initiate and manage information, awareness and educational programs aimed at helping young people and adults make enlightened and responsible gaming decisions. In addition, the organization would be committed to supporting scientific research concerned with the prevention of compulsive gambling, as well as to financing projects and initiatives related to its mission.

The Conseil's mission however, would not be exclusive and would not encompass assistance to compulsive gamblers nor the implementation of a treatment network — both responsibilities which fall under the mandate of the ministère de la Santé et des Services sociaux. Moreover, it is the mandate of the Régie des alcools, des courses et des jeux (RACJ) to apply the appropriate gaming control measures. To these ends, Loto-Québec would continue to contribute the agreed upon sums to these organizations. ■

Revitalization of the Casino de Montréal

In many ways, the Casino de Montréal has proven to be a major success, having logged more than 65 million visits since opening its doors in 1993. Since then, the gaming house has undergone two expansions and currently welcomes an average of 18,000 visitors daily, occasionally reaching peaks of over 30,000.

However, the Casino has also become a victim of its own success and is now confronting various problems related to insufficient interior space, the age and condition of its facilities, inadequate road access, and a lack of parking space. In addition, the gaming house's potential as a tourist attraction is being seriously compromised by the fact that international high-limits clientele are looking for more modern facilities offering on-site lodging.

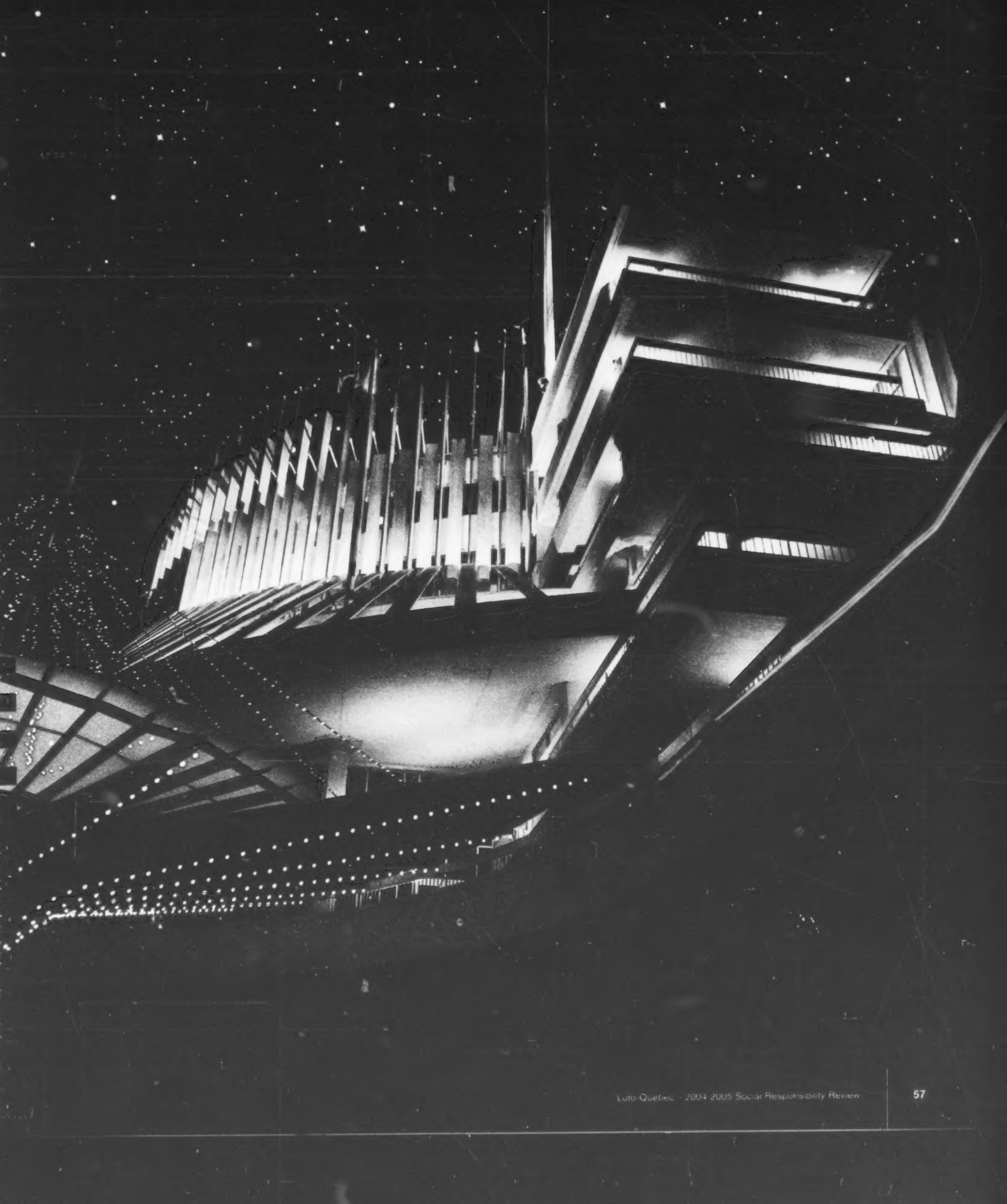
The Casino de Montréal has already begun to suffer the consequences of heightened competition. For example, during fiscal 2004-2005, for the third consecutive year, the Casino saw a marked drop in attendance. The combined effect of the 6.9% reduction in clientele and 10.4% increase in expenses has resulted in a $20 million decline in net income over the past three years. Moreover, all indications point to a continuation of this trend, which is seriously threatening the profitability of the gaming house in the short-term despite tighter controls on expenditures.

This disconcerting situation demands a long-term solution, and in its 2004-2007 Development Plan released in May 2004, Loto-Québec committed to carefully studying two principal hypotheses concerning the future of the establishment:

- Undertaking major renovation and expansion work on the existing Île Notre-Dame site.
- Establishing a brand-new gaming house as part of an entertainment complex to be built in proximity to Old Montréal with the participation of private partners.

In concert with the Cirque du Soleil, Loto-Québec presented a plan for a world-class entertainment complex in June 2005, integrating the Casino de Montréal with a number of innovative recreational and tourist attractions, along with avant-garde artistic functions. Subject to Government approval, the complex is to be located at the Peel Basin near the Old Port in an area that is currently commercial and industrial in nature.

This project has all the elements required to generate a high level of interest and support, particularly in light of the fact that the proposed location is an area of Montréal that public authorities already wish to revitalize. It will be a truly unique, large-scale project, to be built in collaboration with private partners, and in a most original fashion, it will serve to align Montréal with the latest trends driving the gaming industry. ■



LOTO QUÉBEC

1969

The Criminal Code of Canada is amended to allow the provinces to operate games of chance.

Loto-Québec is created.

1970

Loto-Québec holds its first draw with *Inter Loto*, featuring a $125,000 grand prize.

1976

The *Super Loto* offers the first $1 million grand prize.

1977

Loto-Québec entrusts non-profit organization with the mandate to sell the Corporation's lottery tickets at kiosks.

1978

The Corporation and the Atlantic provinces join the Interprovincial Lottery Corporation. The *Provincial* game is offered from coast to coast.

Louis Pelletier, Le fantôme de Blanche de Beaumont, 1979. Estampe, eau-forte

1979

La Collection Loto-Québec acquires its first work of art.

1982

Lotto 6/49 is launched with a guaranteed jackpot of $500,000.

1985

The Government of Canada guarantees the provinces exclusive jurisdiction in the field of lotteries and games of chance in exchange for a $100 million contribution to the Calgary Olympic Games.

1988

Loto-Québec attains total revenues of $1 billion.

Pari sportif
MISE O JEU

1990

The Corporation launches *Mise-O-Jeu*, a sports betting lottery.

1992

The Société des casinos du Québec is created.

1993

The Casino de Montréal opens its doors.

The Société des loteries vidéo du Québec, Casiloc and Resto-Casino are created.

1994

The Casino de Charlevoix begins operations.

The first legal video lottery terminals appear in bars.

1996

The Casino de Hull (Casino du Lac-Leamy) is inaugurated.

Loto-Québec starts its Web site.

1997

Loto-Québec inaugurates its Québec City regional office.

The Société des bingos du Québec commences operations.

1998

The Manoir Richelieu is acquired in partnership with the Fonds de solidarité de la Fédération des travailleurs et travailleuses du Québec and the Canadian Pacific hotel chain.

Ingenio, a subsidiary specialized in multimedia lottery, is created.

2000

The sale of lottery tickets to individuals under the age of 18 is prohibited by law.

Loto-Québec introduces a CD-ROM-based lottery developed by Ingenio, marking a world first.

The Corporation launches an advertising campaign to combat excessive gambling under the theme, *Gambling should remain a game.*

2001

The Théâtre du Casino, Hilton Lac-Leamy Hotel and an adjacent conference centre are inaugurated in Gatineau.

Management of the excessive gambling prevention and treatment program is entrusted to the ministère de la Santé et des Services sociaux.

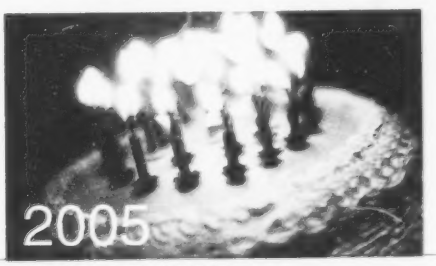
Loto-Québec's contribution to the fight against excessive gaming is set at $20 million annually.

2002

The *Fondation Mise sur toi* is created.

FONDATION MISE SUR TOI
une initiative de Loto-Québec

LOTTO 6/49®



2003

A Laval lottery enthusiast wins a historic $25,418,690 *Super 7* jackpot.

Technologies Nter becomes a wholly-owned subsidiary of Loto-Québec.

2004

Loto-Québec publishes its 2004-2007 Development Plan, proposing three strategic initiatives:

- Reducing accessibility to video lottery terminals
- Creating an organization independent of Loto-Québec and the Québec Government to be known as the Conseil québécois pour le jeu responsable
- Seeking a long-term, permanent solution for operating the Casino de Montréal under the best conditions possible and without increasing game offerings

The new *Lotto 6/49* is launched featuring a minimum jackpot of approximately $4 million.

2005

Loto-Québec celebrates its 35th anniversary.

The new Société des salons de jeux du Québec subsidiary is created.

Loto-Québec publishes its first Social Responsibility Review.

Our Business Units

(wholly-owned subsidiaries)

Lottery Operations
Responsible for the development and sale of lotteries, games of chance and sports betting products, Loto-Québec manages a network of 9,938 retailers located throughout the province. In addition, 127 wholesalers and 1,415 non-profit organizations are involved in the distribution and sale of over 30 different lotteries.

Société des casinos du Québec inc.
The Société des casinos du Québec is entrusted with the management and development of the province's three casinos — the Casino de Montréal, the Casino de Charlevoix, and the Casino du Lac-Leamy.

Société des loteries vidéo du Québec inc.
The Société des loteries vidéo du Québec manages a network that, as of March 31, 2005, consists of 14,007 video lottery terminals installed at 3,267 sites licensed by the Régie des alcools, des courses et des jeux.

Société des salons de jeux du Québec inc.
Created on July 26, 2005, this subsidiary is responsible for developing and managing gaming centres in the province. This project remains in development.

Société des bingos du Québec inc.
The Société des bingos du Québec is responsible for marketing and managing network bingo games in the province. During fiscal 2004-2005, 100% of the subsidiary's net income was distributed among 1,042 non-profit organizations that hold bingo permits.

Ingenio, filiale de Loto-Québec inc.
The mission of this subsidiary is to develop innovative new products in partnership with private firms. These products make use of the latest multimedia technologies and the Internet, and they enjoy a diverse clientele made up of lottery and gaming corporations around the world.

Resto-Casino inc.
This subsidiary is responsible for managing all restaurant, hotel, banquet and bar services offered in the Corporation's casinos and at the Hilton Lac-Leamy.

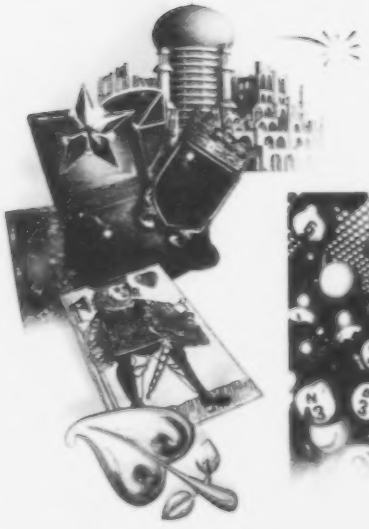
Casino Mundial inc.
Casino Mundial develops new business opportunities and acts as a consultant within the global casino market, offering services related to the implementation of new casino projects worldwide.

Casiloc inc.
Casiloc is responsible for all construction projects, and real estate and equipment acquisitions, as well as the location of casino sites. The subsidiary is also mandated to procure fixed assets for the lottery, video lottery and bingo sectors.

Lotim inc.
Lotim has joint ownership with the Société immobilière Trans-Québec (SITQ) of the building located at 500 Sherbrooke Street West in Montréal, which serves as headquarters for Loto-Québec and its subsidiaries.

Technologies Nter inc.
Technologies Nter's mission is to develop or acquire, integrate and operate computer systems used to support Loto-Québec's business objectives. ■

LOTO
QUÉBEC



Our Products and Services

Loto-Québec is committed to continuously reviewing its product line to ensure that it is offering the highest entertainment value to its diverse clientele.

Lotteries

The Présidence des opérations Loteries of Loto-Québec is responsible for the sale and marketing of on-line, instant, traditional and sports betting lottery products. In so doing, it manages a network of 9,938 retailers distributed across Québec.

On-Line Lotteries
This family of products, which includes *Lotto 6/49*, *Super 7*, *Québec 49*, *la Quotidienne*, *Banco*, *Banco Spécial*, *Joker* and *Extra*, is sold via a network of game terminals. Draws vary in frequency from one to seven per week.

Instant Lotteries
These lotteries are different in that they do not offer any draws or special events subsequent to their purchase to determine winners. Loto-Québec has four types of instant lotteries.

- Regular Lotteries
  These instant games are designed for consumers wishing to uncover the result of their ticket quickly. Some 20 different games are launched in this category each year, in addition to the permanent editions of games such as *Le 7 Chanceux*, *Explosion* and *Gagnant à vie*.

- Entertainment Lotteries
  This type of lottery offers a more elaborate and more extended game experience, placing greater emphasis on amusement value. *Loto-Bingo*, *Bingo +*, *Mots cachés* and *Jeu de mots* are permanent editions within this category, and Loto-Québec offers some 10 new products of this type each year.

- Televised Lotteries
  Televised lotteries offer the possibility of winning large cash prizes on television. *Roue de Fortune Chez vous* and *La Poule aux œufs d'or* are examples of this type of game.

- Multimedia Lotteries
  Played via computer, this type of instant game offers the chance to win prizes, while providing extended entertainment value. Featuring a built-in parental control function, these lottery games are downloadable from Loto-Québec's Web site at www.cyber.loto-quebec.com. *Casteldor2* is an example of this type of lottery. The ticket must be purchased at a retailer location.

Traditional Lotteries
This lottery category includes pre-printed products that require consumers to wait for a draw — held weekly in the case of the *Mini*, or during a special television broadcast as in the case of *Célébration*.

Sports Betting
Sports betting games (i.e. *Mise-O-Jeu*, *Mise-O-Jeu Prédictions*, *Total* and *Pronostik*) allow sports enthusiasts to wager on professional and university sporting events.

Casinos (as of March 31, 2005)

Loto-Québec operates three casinos whose access is restricted to individuals aged 18 and over.

Casino de Montréal
The Casino de Montréal offers 120 gaming tables and 3,212 slot machines and electronic games on nine floors, as well as one of the largest Keno games in North America.

The Casino houses four restaurants, including *Nuances*, one of the finest dining rooms on the continent and recipient of the prestigious Five-Diamond rating awarded by the 2004-2005 CAA/AAA Guide. The exceptional quality of *Nuances'* wine list has also been recognized by *Wine Spectator* Magazine.

In addition, the Casino de Montréal is home to the Cabaret du Casino, a 450-seat theatre that presents top-flight variety shows and musical reviews.

Casino de Charlevoix
A major contributor to the development of the region's economy and tourism industry, the Casino de Charlevoix offers 20 gaming tables, 825 slot machines, and a Keno lounge. It is situated adjacent to the Fairmont Le Manoir Richelieu.

- Fairmont Le Manoir Richelieu
  In June 1998, Loto-Québec, the Fonds de solidarité de la Fédération des travailleurs et travailleuses du Québec, and the Canadian Pacific hotel chain invested more than $140 million in the expansion and renovation of the Manoir Richelieu, under the Fairmont banner, and the construction of a new conference room able to accommodate 1,000, a spa, a sports centre, two outdoor swimming pools and a 27-hole Golf course.

Casino du Lac-Leamy
The Casino du Lac-Leamy has 69 gaming tables, 1,889 slot machines, a Keno lounge and three restaurants, including *Le Baccara*, also the recipient of the coveted Five-Diamond rating presented by the 2004-2005 CAA/AAA Guide. The Casino offers visitors an integrated range of activities and facilities, such as the Hilton Lac-Leamy hotel complex and the 1,000-seat Théâtre du Casino.

- Hilton Lac-Leamy
  The Casino du Lac-Leamy is situated at the heart of a deluxe 350-room hotel complex operated under the Hilton banner. Housing a conference centre able to accommodate 1,800, a spa, and a theatre, this award-winning hotel has everything needed to satisfy business and tourist clientele alike.

Video Lotteries

Loto-Québec has been responsible for the operation of video lotteries since 1993, and since that time, the number of terminals has been progressively diminishing. In contrast, the revenues generated by the sector continued to be on the rise. Numerous measures have also been implemented over the years to promote responsible gaming. For example, the maximum prize per wager is $500, and a payment coupon is automatically issued when accumulated winnings reach $500. Wagers can vary from $0.05 to $2.50, depending on the particular game. The terminals are all linked to a central computer management system that assures the security and integrity of the network at all times. Moreover, players have no control whatsoever over the outcome of games.

Bingo

Grand Tour, *Petit Tour* and *Éclair* are the three network bingo products offered by the Société des bingos du Québec. These games are made available in 125 halls operated by non-profit organizations licensed to do so by the Régie des alcools, des courses et des jeux.

Gaming Centres

The gaming centres to be opened by Loto-Québec will offer a totally unique entertainment concept. In addition to the gaming areas themselves, patrons will have access to a selection of restaurants and bars. The centres will also offerareas will also offer a range of interesting activities specifically adapted to each site and designed to enhance the overall entertainment experience. Access, however, will be strictly controlled and monitored. ■

Governance

Government of Québec
Loto-Québec acts as an agent of the Québec Government, with its sole shareholder being the ministère des Finances which establishes the dividend to be remitted to the Government. Loto-Québec's Act of Incorporation stipulates that, prior to undertaking any action, the Corporation must obtain the prior authorization of the Government under the following circumstances:

- When undertaking any commitment spanning more than five years.
- In the case of certain loans.
- When acquiring or disposing of equipment or buildings valued at more than $10 million.
- When acquiring or relinquishing interest in any company.
- When concluding agreements with a government or organization under the auspices of a government.

Moreover, the Government must approve the rules regulating the different lottery systems operated by Loto-Québec.

Board of Directors
Comprised of the President and CEO, and six other administrators, Loto-Québec's Board of Directors is appointed by the Government. Playing a monitoring role, the Board of Directors is responsible for approving corporate policies and overseeing operations. Furthermore, the Board establishes the fundamental operating guidelines and basic principles governing all matters of a corporate nature. The Board's responsibilities also include the approval of capital and operating budgets, as well as financial statements. It must be kept apprised of all issues and activities that could have a significant impact on the Corporation, and it is called upon to approve any action that, by virtue of Loto-Québec's Act of Incorporation, must receive the prior authorization of the Government.

To assist it in carrying out its duties, the Board has set up an Auditing Committee and Security Committee, each composed of three Board members acting as independent administrators. The Auditing Committee supports the Board by monitoring profitability and the Corporation's financial controls and reports. This Committee also ensures that Loto-Québec respects all financial commitments and legal and regulatory requirements governing the disclosure of financial matters. For its part, the Security Committee assists the Board by monitoring the security measures in place to assure the Corporation's integrity and credibility. The Committee is also responsible for verifying compliance with all legal and regulatory stipulations in that regard.

Members of the Board of Directors

Alain Cousineau
Chairman, President
and Chief Executive Officer
Loto-Québec
Montréal

Lynne Roiter, LL.L
Corporate Secetary,
Vice-President,
Legal Affairs
Loto-Québec
Montréal

Robert Crevier, CA
Management Consultant
Mont-Tremblant

Nancy Arbour
General Manager
Marché Traditions
Îles-de-la-Madeleine

Marc G. Bruneau
Vice-President
Gestion de portefeuille GBC inc.
Montréal

Solange Dugas
President
Micro électronique GB inc.
Montréal

Mel Hoppenheim
President
Locations Michel Trudel inc.
Mel's Cité du Cinéma ltée
Montréal

Me Serge Lebel
Lawyer
BCF S.E.N.R.L.
Québec

Management Committee

Comprised of the President and CEO, the Corporation's Senior Vice-Presidents, the Corporate Secretary, the President of Operations for the Société des casinos du Québec and Resto-Casino, and the President of Lottery Operations, Loto-Québec's Executive Committee is responsible for assisting the President and CEO in carrying out his duties, for participating in decision-making, and for overseeing the general administration of the Corporation in the short-, medium- and long-term. Subject to the authority of the President and CEO in all matters pertaining to the organization, the Executive Committee plays an active role in defining fundamental objectives and works to assure a unity of purpose and action with respect to the Corporation's general management. ■

Codes of Conduct

In order to manage its activities with continuously increasing rigour, Loto-Québec has adopted a series of internal norms and codes of conduct aimed at protecting its publics and providing them with the highest quality service. These norms, which exceed the demands of existing legislation, allow the Corporation to achieve or even surpass national and international standards within the gaming industry.

Code of Ethics and Professional Conduct
Loto-Québec's Code of Ethics and Professional Conduct for managers and administrators incorporates the values promoted by the organization such as integrity, dedication and transparency. All senior managers of the Corporation and its subsidiaries are bound to comply with this Code.

Policy Concerning Employee Conduct
Loto-Québec has also adopted a policy concerning employee conduct in order to ensure the organization's efficiency, integrity and smooth operation. At the same time, the policy has been designed to allow employees within the Corporation and its subsidiaries to develop within a healthy and orderly workplace.

While it does not constitute an exhaustive list of all the rules that govern the behaviour of the Corporation's personnel, this policy does stipulate a range of conduct expected of employees vis-à-vis the organization and their co-workers. Any breach of one or more of these rules, or any other act committed that is detrimental to the Corporation or a co-worker, may lead to disciplinary measures as severe as dismissal.

Language Policy
In accordance with the Government's policy on the use and quality of French in public administration, on November 24, 2000, Loto-Québec adopted a language policy that reflects its business mission and covers the use and quality of French within each of its activity sectors. During the past fiscal year, the Corporation collaborated with the Office québécois de la langue française to ensure the consistent application of this policy throughout the organization and its subsidiaries. ■

General Information

Loto-Québec's 2004-2005 Social Responsibility Review is produced by the Direction corporative, communications et relations publiques of the Première vice-présidence corporative aux communications et aux affaires publiques of Loto-Québec.

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Legal deposit
ISBN 2-550-45612-2
ISSN 1715-9008

CG3 inc. | Communications | Graphisme

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